

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTELEONE, TEXAS 79465-5101

Approved for public release; distribution is unlimited.

Fiscal Oversight of the Budget for
Strategic Sealift, Fiscal Years 1981-1994

by

Mark Joseph Steinmetz
Lieutenant, Supply Corps, United States Navy
B.A., University of California, Santa Barbara, 1982

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN SYSTEMS MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

June 1994

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE June 1994		3. REPORT TYPE AND DATES COVERED Master's Thesis
4. TITLE AND SUBTITLE FISCAL OVERSIGHT OF THE BUDGET FOR STRATEGIC SEALIFT, FISCAL YEARS 1981-1994			5. FUNDING NUMBERS	
6. AUTHOR(S) MARK JOSEPH STEINMETZ				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			12b. DISTRIBUTION CODE *A	
13. ABSTRACT (maximum 200 words) This thesis examines congressional oversight of strategic sealift programs. The historical background and elements of strategic sealift are explained. The composition and size of the strategic sealift budget is examined, as are the structure and tools of congressional oversight. The budget for strategic sealift is examined from presidential request through final appropriations over the 14 year period between 1980 and 1993. Changes made during the authorization and appropriations sequences are explained, and differences between the House and Senate support are identified. Congress and the executive branch did not agree on the priority to be given to strategic sealift programs, with Congress approving significantly larger budgets for this program than DoD requested. The Senate was slightly more supportive of sealift programs than was the House. In keeping with their customary roles within the budget process, the authorization committees provided the majority of policy guidance using study requirements and report language. The appropriations committees deviated from their traditional roles by providing constant and substantial budget increases above the levels set by the authorization committees.				
14. SUBJECT TERMS Strategic Sealift, Budget, Fiscal, Congressional Oversight			15. NUMBER OF PAGES 110	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	

ABSTRACT

This thesis examines congressional oversight of strategic sealift programs. The historical background and elements of strategic sealift are explained. The composition and size of the strategic sealift budget is examined, as are the structure and tools of congressional oversight. The budget for strategic sealift is examined from presidential request through final appropriations over the 14 year period between 1980 and 1993. Changes made during the authorization and appropriations sequences are explained, and differences between the House and Senate support are identified. Congress and the executive branch did not agree on the priority to be given to strategic sealift programs, with Congress approving significantly larger budgets for this program than DoD requested. The Senate was slightly more supportive of sealift programs than was the House. In keeping with their customary roles within the budget process, the authorization committees provided the majority of policy guidance using study requirements and report language. The appropriations committees deviated from their traditional roles by providing constant and substantial budget increases above the levels set by the authorization committees.

11130
5684525
C.1

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	OBJECTIVES	1
B.	THE RESEARCH QUESTIONS	1
C.	SCOPE, LIMITATIONS AND ASSUMPTIONS	2
D.	METHODOLOGY	4
E.	ORGANIZATION	5
II.	BACKGROUND AND HISTORY OF STRATEGIC SEALIFT	7
A.	OBJECTIVES OF STRATEGIC SEALIFT	8
1.	Crisis Response	9
2.	Reconstitution	10
B.	ELEMENTS OF STRATEGIC SEALIFT	12
1.	The National Defense Reserve Fleet (NDRF)	12
2.	Maritime Prepositioning Ships (MPS)	13
3.	Afloat Prepositioning Ships (APS)	14
4.	Fast Sealift Ships (FSS)	14
5.	Aviation Logistics Support Ships (T-AVB)	15
6.	Hospital Ships (T-AH)	15
7.	Auxiliary Crane Ships (T-ACS)	15
8.	Commercial U.S. Flag Vessels	15
9.	Foreign Flagged Ships	16
10.	Amphibious Equipment and Programs	16

C.	HISTORICAL BACKGROUND OF STRATEGIC SEALIFT . . .	17
1.	History	17
2.	Removal of Government Subsidies	18
3.	International Events	20
4.	Industry Trends	21
5.	Government Actions	22
III.	CONGRESSIONAL OVERSIGHT OF THE STRATEGIC SEALIFT PROGRAM	25
A.	STRUCTURE OF CONGRESSIONAL OVERSIGHT	25
B.	CONGRESSIONAL OVERSIGHT PROCESS	26
C.	CONGRESSIONAL INTERVENTION IN THE STRATEGIC SEALIFT BUDGET	29
1.	Broad Trends In Strategic Sealift	30
2.	The Initial Investment in Strategic Sealift: FY 1981-85	31
3.	Decline and Renewal: FY 1986-89	33
4.	The Impact of Desert Shield/Desert Storm: FY 1990-94	36
5.	The Establishment of the National Defense Sealift Fund	40
D.	SUMMARY	45
IV.	THE DIFFERENCES IN CONGRESSIONAL OVERSIGHT OF THE STRATEGIC SEALIFT BUDGET	47
A.	THE HOUSE VERSUS THE SENATE	49

1.	The Initial Investment in Strategic Sealift:	
	FY 1981-85	49
2.	Decline and Renewal: FY 1986-89	51
3.	The Impact of Desert Shield/Desert Storm: FY	
	1990-94	51
B.	AUTHORIZATIONS VERSUS APPROPRIATIONS	54
1.	The Initial Investment in Strategic Sealift:	
	FY 1981-85	54
2.	Decline and Renewal: FY 1986-89	59
3.	The Impact of Desert Shield/Desert Storm: FY	
	1990-94	63
C.	SUMMARY	67
V.	THE NATURE OF CONGRESSIONAL INTERVENTION INTO THE	
	STRATEGIC SEALIFT PROGRAM	69
A.	CONGRESSIONAL OVERSIGHT INTERESTS AND ISSUES .	69
B.	KEY CONGRESSIONAL POLICYMAKERS	72
C.	DEPARTMENT OF DEFENSE POLICIES AND ISSUES . . .	76
1.	Sealift and the Navy Mission	77
2.	Sealift and Service Priorities	77
3.	Sealift and the Availability of Commercial	
	Shipping	78
4.	Sealift and the Uncertainty Surrounding	
	Operational Requirements	79
D.	RECENT DEVELOPMENTS IN STRATEGIC SEALIFT . . .	80
1.	Ship Conversions	81

2. New Ship Construction	83
E. SUMMARY	84
VI. CONCLUSIONS	87
A. TRENDS AND MAJOR EVENTS IN STRATEGIC SEALIFT .	87
1. Congressional Budgetary Oversight	88
2. Oversight Differences Within Congress . . .	89
3. Viewpoints, Interests and Influential Factors	90
B. SUGGESTIONS FOR FURTHER STUDY	92
APPENDIX STRATEGIC SEALIFT BUDGET TABLES/GRAPH.	94
LIST OF REFERENCES	98
INITIAL DISTRIBUTION LIST	101

I. INTRODUCTION

This chapter will address the objective of the thesis. It describes the research questions, the scope, limitations, methodology and organization of the chapters.

A. OBJECTIVES

The objective of the thesis is to summarize the historical background and recent history, and identify the trends and issues affecting congressional oversight of strategic sealift. These trends are explored by examining the President's budget request and the accompanying congressional response, i.e., the funding levels approved during the authorization and appropriations sequences of the congressional budget process. This information is relevant to theories concerning congressional intervention and initiatives and focuses on an area of the defense budget that has not been examined but is currently receiving increased scrutiny and attention. This study will provide a comprehensive examination of the issues, trends and implications of congressional oversight of strategic sealift.

B. THE RESEARCH QUESTIONS

The following research questions are addressed:

1. Have U.S. sealift requirements changed now that the

United States has shifted its military strategy from preparing for war against another major superpower to preparing for one or more regional conflicts?

2. What are the funding and policy differences between the Department of Defense and Congress in allocating resources for strategic sealift.

3. What changes have been made to the defense budget for strategic sealift since 1981?

4. Is there a difference between the House and the Senate intervention in the defense budget in the area of strategic sealift?

5. Is there a difference between the congressional appropriations and authorization committees' intervention in the defense budget involving strategic sealift?

C. SCOPE, LIMITATIONS AND ASSUMPTIONS

This thesis will be an examination of fiscal oversight of strategic sealift funding, including changes in the Administration's proposed budget and changes made in the congressional budget process. This study will be limited to the fourteen years of budget actions between FY 1981 and FY 1994.

Strategic sealift includes many elements involved in deploying a military force in response to a contingency. A short listing of these elements would include prepositioned ships, Fast Sealift Ships, U.S.-flagged ships under charter to

the Navy, foreign-flagged ships chartered by the Navy, and Ready Reserve Force (RRF) ships. The majority of the funding for strategic sealift is contained in the defense budget. However, funding for the maintenance and upkeep of the RRF ships and limited ship acquisition funding is currently requested by the President in the budget for the Department of Transportation and authorized and appropriated in the budget for the Department of Commerce. This occurs since control of the Maritime Administration was shifted from the Department of Commerce to the Department of Transportation in the early 1980's. For the purposes of this thesis, only funding for strategic sealift contained in the defense budget will be examined. This funding will be referred to as the "strategic sealift program" because the Department of the Navy manages the funding through their Strategic Sealift Division (N-42).

The funds allocated to the RRF are not specifically examined in this thesis. This is done to avoid the complexities involved with analyzing differing policy and resource allocation viewpoints of both the Department of Transportation and the Department of Defense. Also, it avoids further complications in the already difficult task of analyzing the myriad of differing philosophies, concerns and personalities of the congressional committees involved (i.e., the Subcommittee on Merchant Marine of the Committee on Merchant Marine and Fisheries in the House and the

Subcommittee on Merchant Marine of the Committee on Commerce, Science, and Transportation in the Senate versus the House and Senate Armed Services Committees). Although there are some different motivating factors, many of the factors influencing congressional oversight in the RRF program are the same as those affecting the strategic sealift program.

D. METHODOLOGY

This thesis will examine the scope and nature of congressional changes to the administration's budget request for elements of strategic sealift. Data was taken from the Department of Defense Comptroller's Office, along with congressional reports displaying adjustments to the budget request made by authorizing, appropriating and conference committees of the House and Senate. This information provides answers to the research questions surrounding fiscal oversight and budgetary control of strategic sealift.

Congressional hearings, Department of Defense policy documents and studies, government correspondence, journal articles and interviews with knowledgeable government officials are used to document the policy and perspectives on strategic sealift. This information will address the research questions concerning resource and policy differences between and within the Department of Defense and Congress.

E. ORGANIZATION

Chapter II, "Background and History of Strategic Sealift," will define strategic sealift and identify the various elements that make up the strategic sealift program. It also provides a background of the elements comprising military sealift and a recent history of the events and developments affecting strategic sealift. The importance of sealift for the National Security Strategy of the United States is also addressed.

Chapter III, "The Scope of Congressional Oversight of the Strategic Sealift Program," addresses congressional oversight responsibilities and the strategic sealift budget. Spending trends and categories of the final budget amount appropriated for the strategic sealift program will be examined with respect to the administration's budget request.

Chapter IV, "The Differences in Congressional Intervention in the Strategic Sealift Program," details the various approaches and ideas for providing resources to the strategic sealift program. The committees within Congress holding oversight responsibility for the strategic sealift program will be identified. The differences between the approaches taken by the Authorization and Appropriations committees are identified and discussed. In addition, the differences between Senate and House budget actions are examined.

Chapter V, "The Nature of Congressional Intervention in the Strategic Sealift Program," examines the type of changes

implemented into the strategic sealift program over time. The philosophies, issues and possible influential factors surrounding the views of both the Defense Department and Congress toward strategic sealift are reviewed.

Chapter VI, "Conclusions," summarizes the findings and analysis addressed in previous chapters. Trends are identified and implications drawn. In addition, a program status report and areas for further research are offered.

II. BACKGROUND AND HISTORY OF STRATEGIC SEALIFT

The National Security Sealift Policy states, "The United States' national sealift objective is to ensure that sufficient military and civilian maritime resources will be available to meet defense deployment, and essential economic requirements in support of our national security policy." [Ref. 1]

Strategic Sealift is the shipping capacity needed to deploy a military force to an area in response to a contingency. Strategic sealift consists of two elements, surge sealift and sustainment sealift. Surge sealift is the initial transportation of troops, equipment, ammunition and supplies to an area in response to a war or other contingency. Sustainment sealift is the follow-on movement of materials to support the deployed forces.

Strategic sealift has been an issue of great concern and under heavy scrutiny since the early 1980's. This concern was caused by the declining size of the U.S. merchant marine fleet, the growing strength of the Soviet military and crises that developed in remote areas of the world. Although the threat posed by the Soviet Union has been virtually eliminated, the declining size of the merchant fleet and the need to respond to regional crises are still subject to much discussion. While all parties will agree that there is a

requirement for strategic sealift to satisfy the objectives of our National Security Strategy, the amount, structure, timing and methods of obtaining sealift capacity have generated much debate within the Department of Defense, the White House and the halls of Congress.

A. OBJECTIVES OF STRATEGIC SEALIFT

The demise of the global threat posed by the Soviet Union has brought about a shift in the National Security Strategy of the United States. The threat that defined the size, structure, strategy, tactics and positioning of our defense forces has been eliminated. Without another superpower to challenge the sovereignty of the nation, a large military force is no longer necessary. Instead of a strategy designed to contain a specific threat from communist expansion in Europe, the new strategy focuses on the capability to meet regional challenges and opportunities. According to the National Military Strategy,

The growing complexity of the international security environment makes it increasingly difficult to predict the circumstances under which U.S. military power might be employed. Hence, forward presence and crisis response are fundamental to our regionally oriented strategy.[Ref. 2]

Although the fundamental elements of the National Defense Strategy (strategic deterrence and defense, forward presence, crisis response and reconstitution) remain intact, budgetary pressures have shifted the priorities among the elements.

Declining budgets have prompted the withdrawal of military forces homeported overseas and a transition from a reliance on forward presence towards a new emphasis on crisis response. In the same manner, scarce financial resources have produced a decline in defense spending that supports the industrial base and greater concerns about the reconstitution ability of the nation. Crisis Response and Reconstitution are two key elements of our National Security Strategy drawing considerable attention and resources.

1. Crisis Response

The ability to respond to a crisis is dependent not only on structuring highly mobile military forces but having the capacity to rapidly transport these forces anywhere in the world. The ability to transport troops, equipment, ammunition and supplies, called "strategic mobility," involves a combination of strategic sealift (including afloat prepositioning) and strategic airlift. The National Military Strategy of the United States avers, "The United States requires sufficient strategic mobility to rapidly deploy and sustain overwhelming combat power in any region where U.S. national interests are threatened." [Ref. 3] Of the two elements of strategic mobility, strategic sealift carries the vast majority of the assets requiring lift. Strategic airlift has the capability to move men and some materials very rapidly but is unable to carry the volume of cargo and equipment that

make up a combat force. For example, in Operation Desert Shield/Desert Storm, sealift moved 85 percent of dry cargo and, including petroleum products, sealift carried 95 percent of everything that was carried to the Persian Gulf.[Ref. 4]

To further emphasize the importance of sealift, although the U.S. maintains a sizeable peacetime military presence, more than three-quarters of America's land combat power still resides in the United States.

In a major conventional conflict, the preponderance of America's combat units will have to be transported across vast expanses of water to arrive at the scene of the fighting. Once there, they will have to be supported by a logistics train extending back across those waters to the U.S. industrial base.[Ref. 5]

It is obvious that the major objective of strategic sealift is to satisfy the crisis response segment of the National Security Strategy.

2. Reconstitution

Another objective of strategic sealift involves the preservation of the reconstitution element of the National Security Strategy. The nation's industrial base is a major factor in being able to recreate a global warfighting capability. Investment in strategic sealift is vital to the maintenance of the nation's defense industrial base. This is especially true in this area of declining defense budgets and force downsizing. The reduction in the number of naval combatants being constructed has significantly curtailed the economic activity of U.S. shipyards. The nation must now look

to utilize limited defense funding to preserve the unique military research, development and manufacturing capacity of defense industries to ensure they are available if necessary. With fewer defense dollars in the marketplace, the country's defense industrial base is losing the capacity to rapidly reconstruct the nation's military machinery in a time of war.

Especially vulnerable is the nation's capacity to build and repair ships. As then Secretary of the Navy H. Lawrence Garrett III pointed out in testimony before Congress,

I remark to people the story of the battleships. People ask why don't we scrap them. One of the points I make is even if you wanted to, you couldn't build a battleship in this nation today. That industrial capacity is gone.[Ref. 6]

Investments in strategic sealift provide valuable financial support to the country's shipbuilding industry.

Strategic sealift is vital to the interests of this country. Maintaining the ability to rapidly deploy a military force gives America the capability to respond to a crisis anywhere in the world to meet national interests. Continual investment in strategic sealift helps maintain the industrial base necessary for reconstitution of the armed forces in time of war or other emergency. The ability to simultaneously satisfy two of the principle objectives of our National Security Strategy with one investment action will become an important factor when examining congressional interest in the area of strategic sealift.

B. ELEMENTS OF STRATEGIC SEALIFT

Budgets supporting strategic sealift have been changing significantly the past fourteen years, both in size and content. In order to understand the importance and consequences of the budget changes during this timeframe, it is necessary to briefly look at the elements that make up strategic sealift.[Ref. 7]

1. The National Defense Reserve Fleet (NDRF)

The NDRF is divided into two components. The first component is the Ready Reserve Force (RRF) which includes 96 ships. The 96 ships include 46 cargo ships of various types, 29 vehicle cargo ships, 11 tankers, 8 crane ships and 2 troop ships. These ships are laid up and routinely maintained so that they can be activated in 5, 10 or 20 days. The RRF ships are currently under the control of the Department of Transportation, Maritime Administration (MARAD) although in the past they were managed by the U.S. Navy. When needed, these ships have to be towed to repair facilities for activation and are then manned by personnel drawn from the merchant marine. Also, they are occasionally activated for training exercises and readiness testing and are periodically overhauled.

The other component of the NDRF consists of 116 ships, 71 Victory-class ships built during World War II and 45 other ships of varying types and ages. These ships receive very

little maintenance and would require between 30-120 days of repair before they would be ready for activation. These ships are also controlled by MARAD.

The NDRF is located mainly in three sites: James River, VA; Beaumont, TX; and Suisan Bay, CA. Ships in the RRF are located at those sites also, but there are also some RRF ships outported in various other ports throughout the continental United States. In the event of a crisis, MARAD would activate ships as ordered by the Department of Defense and then transfer them to the jurisdiction of the military. Congress provides funding for the NDRF through the Department of Transportation's budget but the Navy provides the military requirements that determine the numbers and types of ships and their readiness status.

2. Maritime Prepositioning Ships (MPS)

There are currently 13 ships that comprise the MPS fleet. These 13 ships support the early deployment of Marine Corps forces. They are divided into three squadrons located on the East Coast of the United States, Diego Garcia and Guam. They are fully manned and operated by commercial firms under charter to the Navy and each squadron carries the equipment and 30 days of supplies for a Marine Expeditionary Brigade. The MPS program is designed to allow Marines to be flown into an area and then "marry up" with the equipment and supplies carried by the MPS ships. The ships can sail on a day's

notice and after delivering their prepositioned cargo, are available for additional sealift missions.

3. Afloat Prepositioning Ships (APS)

The APS fleet consists of 12 ships. These 12 ships carry generic supplies, fuel, ammunition and port operating equipment for U.S. Navy and Air Force forces. The APS ships are designed to provide initial supplies to deployed forces to carry them through the initial stages of the contingency until the sustainment sealift becomes available. They are based in Diego Garcia, although one ship is usually stationed in the Mediterranean. They are manned and operated by commercial firms under charter to the Navy. Like the MPSSs, the APSs can sail on a day's notice. They are also available for additional duty once they have delivered their prepositioned cargo.

4. Fast Sealift Ships (FSS)

The United States maintains eight Fast Sealift Ships. These 8 ships are large and capable of a maximum speed of about 30 knots. They are designed to carry the unit equipment and supplies for an entire mechanized division. The ships are berthed in ports on both coasts of the United States. They are partially manned and are maintained in a reduced operating status with a readiness to sail within four days. Because of their speed, they are expected to make multiple deliveries during the course on an operation.

5. Aviation Logistics Support Ships (T-AVB)

These two specialty ships are designed primarily for providing a mobile intermediate maintenance capacity for U.S. Marine Corps helicopters involved in contingency operations. These ships are maintained in a five day readiness status and can house an aircraft maintenance detachment of approximately 350 people. If their aviation maintenance equipment is offloaded, these ships can be used to make further cargo deliveries.

6. Hospital Ships (T-AH)

These two converted tankers are located on opposite coasts and serve as floating hospitals for the military. They are equipped with 1,000 beds, have 12 operating rooms and can house a medical staff of about 950 people.

7. Auxiliary Crane Ships (T-ACS)

There are eight of these ships designed to unload other ships at anchorage when ports are not available or to unload ships when existing ports possess little or no offloading capability.

8. Commercial U.S. Flag Vessels

These ships are owned by U.S. companies and can be chartered in time of need. However, the availability of these ships is difficult to predict since some firms may be reluctant to disrupt ships maintaining designated routes for fear of losing long term customers. The U.S. may also call up

commercial ships designated as members of the Sealift Readiness Program (SRP). Companies that wish to carry Department of Defense cargo as part of their normal business must commit at least half of their ships to the SRP. In addition, all shipping companies that compete for Department of Defense cargo must commit half of their ships to the SRP. There are 93 ships designated in the SRP program.

9. Foreign Flagged Ships

These ships can be chartered from the open market although the availability and positioning of these ships in a constrained timeframe is uncertain.

10. Amphibious Equipment and Programs

There are a variety of other elements that are not sealift ships but can be included in the category of strategic sealift. These complementary programs directly support sealift objectives and are managed in coordination with the sealift fleet assets. An example of one of the complementary programs is the Cargo Offload and Discharge System (COLDS) which includes the Offshore Petroleum Discharge System (OPDS). This program is designed to allow fuel and other cargo to reach deployed troops located in an area with inadequate port facilities. The Merchant Ship Naval Auxiliary Program (MSNAP) is a research and development program conducting studies of methods to help commercial ships and crews adapt to the special needs and requirements of strategic sealift missions.

The Sealift Enhancement program provides equipment and modifications (including Seasheds, Flatracks and Containership Cargo Storage Adapters (CCSA)) to merchant ships so that they can handle military cargo.

C. HISTORICAL BACKGROUND OF STRATEGIC SEALIFT

1. History

The United States exists as an island nation due to both geographical and economic considerations. America is dependent on the trading nations of the world and on the uninhibited use of the seas for commerce. Due to these considerations, the United States has maintained a long history of maritime strength since the arrival of the Pilgrims at Plymouth Rock. Shipping and trade routes have always been vital to America and the nation's merchant marine fleet grew strong through international commerce. In the mid-1800's, America emerged as one of the dominant maritime powers of the world.

The country emerged from World War II with a huge commercial fleet. From the military viewpoint, the United States was both a military superpower and a maritime giant. There was little reason to question the availability of sealift assets in a time of need and strategic sealift was given scant attention by military leaders. But in the later half of the twentieth century, foreign competition and government regulation eroded the size of the U.S merchant

marine fleet. As Table I clearly shows, the size of the commercially owned U.S. flagged fleet dramatically declined in just a twenty year period.

TABLE I
PRIVATELY-OWNED U.S.-FLAG MILITARILY-USEFUL DRY-CARGO FLEET

YEAR	NUMBER OF SHIPS	% CHANGE
1970	588	N/A
1980	257	-56
1990	168	-35

Source: Commission on Merchant Marine and Defense, "Operation Desert Shield/Desert Storm Sealift Performance and Future Sealift Requirements", Hearings before the Subcommittee on Merchant Marine of the Committee on Merchant Marine and Fisheries, House of Representatives, p. 24, April 23, 1991

2. Removal of Government Subsidies

Another factor that had a profound impact on the U.S. merchant marine fleet was the elimination of government subsidies for the commercial shipyards and shipping companies. As pressure to balance the federal budget mounted during the early 1980's, support for large scale subsidies to domestic industries waned in Congress. The construction differential subsidy for shipyards and new contracts for the operating differential subsidy for shipping firms were eliminated in 1982. There are some operating differential subsidy contracts that will not expire until 1997. Without the subsidies, American firms were at a competitive disadvantage in the world market.

The effect of the removal of construction differential subsidies on private U.S. shipyards was substantial. The number of shipyards declined from 110 in 1980 to only 60 shipyards in 1990. In the same timeframe, the number of production workers fell from a level of 112,000 workers to approximately 72,000. Even more enlightening, in 1976 U.S. shipyards had 155 vessels under construction, with almost 50 percent of those ships going to commercial customers. By 1993, there were only four commercial vessels under construction in the country.[Ref. 8] As John Stocker, President of the Shipbuilders Council of America testified,

Shipbuilding in the United States has, for all practical purposes, only one customer -- the U.S. Government, principally the U.S. Navy. Over 90 percent of our workload is derived from Navy contracts for new construction and repair.[Ref. 9]

The future loss of the operating differential subsidies is just as significant. Foreign flag vessels do not have to operate under the higher safety standards, manning requirements, wage scales and tax structure intrinsic to U.S. flag vessels. Therefore, it is much cheaper to operate a vessel flagged under a foreign country. The loss of operating subsidies is one factor that led to a decline in the number of U.S. flagged ships. Another factor was the transition by shipping companies to larger container ships, resulting in fewer ships and a smaller merchant marine force to man these ships. These factors resulted in a reduction in the demand for U.S. seafarers and a decline in the available merchant

mariner manpower pool. In 1980, the number of available merchant mariners in the U.S. was approximately 48,000. By 1985 it had fallen to 30,000 and in 1990 it numbered 25,000. MARAD anticipates a further decline to approximately 11,000 merchant mariners by the turn of the century.[Ref. 10] This was most evident in Operation Desert Shield/Desert Storm when there was a severe strain on the manpower pool when vessels in the RRF were activated and the mariner unions had to scramble to find available men to man the ships.

3. International Events

Along with the concern over the declining U.S. maritime industry, several events in the late 1970's and early 1980's raised congressional and military interest in strategic sealift. The recognition by the U.S. that the Soviet Union had achieved nuclear parity led to a refocusing of military planning. Military strategists were forced to consider scenarios reflecting long term conventional warfare in Europe, with a resulting requirement for more sealift capacity. In addition, the Soviet navy had grown increasingly powerful, operating more frequently in the open areas of the world. This not only challenged America's maritime dominance but also raised the specter of Soviet intervention in distant areas or the possible impediment to free trade. America started realizing that the military needed the capability to swiftly

move forces to an unexpected sector of the globe to counter a rising Soviet maritime force.

During the same time period, the Iranian revolution, the seizure of U.S. hostages in Iran, and the Soviet invasion of Afghanistan demonstrated to leaders in the U.S. that military crises can develop rapidly, without warning or time for military force build-ups. These events led to the Defense Department's creation of the Rapid Deployment Joint Task Force (RDJTF) in 1981. The RDJTF was envisioned as a separate unified command that could respond quickly to a contingency anywhere in the world. But it was the concept of rapid deployment that altered both the military and congressional outlook on strategic sealift.[Ref. 11]

4. Industry Trends

Another phenomenon raising congressional awareness involved a growing shift in the merchant marine industry away from military useful breakbulk ships and small tankers. The new trend of building commercially efficient container ships and large tankers reduced the number of ships that could be used by the military for strategic sealift. The Defense Department was faced with either producing ships designed and operated solely for military use, purchasing and maintaining used commercial ships, or somehow adapting the new commercially designed ships to fit their needs. Each of the options resulted in a substantial cost to the Defense

Department for strategic sealift capacity that had, in the past, been satisfied by a reliance on the strength of the U.S. maritime industry.

5. Government Actions

Congress intervened in the strategic sealift issue by ordering the Department of Defense in the FY 1981 Defense Authorization Act to complete an analysis of sealift requirements. This resulted in the Defense Department's publication of the Congressionally Mandated Mobility Study (CMMS). This was followed by the DoD Sealift Study completed by the Pentagon in 1984. Both of these studies indicated that the militarily useful ships in the merchant marine would no longer support our national security needs. These two documents were the justification for the strategic sealift programs that followed throughout the 1980's. These studies also prompted the Department of the Navy to add strategic sealift as a third major mission of their service (in addition to sea control and power projection) in 1984. Later in the year, the Strategic Sealift Division (N-42) was created within the Office of the Chief of Naval Operations to provide an advocate for strategic sealift.

The last major event that profoundly affected strategic sealift was the establishment and subsequent enhancement of the Ready Reserve Fleet. The Merchant Ship Sales Act of 1946 created the National Defense Reserve Fleet,

a pool of inactive but potentially useful cargo ships. This pool of ships was used in the Korean and Vietnam Wars, but by the mid-1970's, most of the ships in the fleet were over 30 years old. MARAD and the Navy grew concerned about the ability to activate these aging ships. In 1976, the two signed a Memorandum of Understanding to provide for an upgrading of a portion of the NDRF. These upgraded ships were called the Ready Reserve Fleet.

Although MARAD owned and operated the RRF, funding for the program was provided solely by the Navy from FY 1977 until FY 1988. During this eleven year period, the Navy supplied \$1.1 billion dollars to MARAD for ship acquisitions and the operations and maintenance of the existing fleet. In FY 1989, Congress started appropriating funds for the RRF directly to MARAD. Although Congress appropriated nearly the same amount requested in the President's budget every year, there was one noteworthy exception. In FY 1990, MARAD requested \$239 million dollars for the RRF, including \$123 million for operations and maintenance activities. Congress appropriated only \$89 million including \$29.5 million for operations and maintenance. This funding deficiency proved to be significant during the breakout of RRF ships for Operation Desert Shield/Desert Storm.[Ref. 12]

The RRF would become an important portion of strategic sealift and the Navy would later point to the RRF to answer any critics questioning sealift capacity throughout the

1980's. Congress provided funding to expand the RRF in the early 1980's and this fact would influence the debate on strategic sealift for the remainder of the decade.

III. CONGRESSIONAL OVERSIGHT OF THE STRATEGIC SEALIFT PROGRAM

This chapter will examine the annual review of the strategic sealift program portion of the defense budget by Congress. The first section will address the structure of congressional oversight as it pertains to the strategic sealift budget. Next, the tools available for use in the oversight process will be addressed. The third section analyzes trends in congressional oversight during the period FY 1981-FY 1994. The final section looks at the establishment of the National Defense Sealift Fund as a major event affecting congressional oversight of the strategic sealift program.

A. STRUCTURE OF CONGRESSIONAL OVERSIGHT

The Department of Defense's organization and planning structure is organized to submit a budget every two years as part of the President's budget request. Although formally set up under a biannual budgeting system, Congress has never approved the second year of any two year budget submission. Instead, an amended budget is submitted for the second year and that is the budget reviewed by Congress.

The defense budget and related legislation is both authorized and appropriated every year. Oversight of the

budget occurs within the committees responsible for defense matters. The authorizing committees are the House and Senate Armed Services Committees. While the authorization process does not provide any spending authority, these committees delineate the nature of defense spending and prescribe amounts that Congress can appropriate for each specific program.

The Subcommittees on Defense of the Appropriations Committees in both the House and the Senate hold jurisdiction over defense spending amounts. Appropriation bills provide actual authority to incur obligations and make payments out of the U.S. Treasury. It is within these four committees that oversight of the defense budget, and therefore the strategic sealift budget, occurs.

It should also be noted that both appropriation and authorization bills ultimately are reconciled in conference committees and then put to a vote on the respective floors of both chambers. Although primary oversight of the defense budget is completed within the committees, changes in the bills can be and are often made on the floor of each chamber and in conference committees.

B. CONGRESSIONAL OVERSIGHT PROCESS

Congress has a variety of tools to use in the oversight process of the strategic sealift budget. Congress routinely holds hearings to discuss significant items or portions of the defense budget. The congressional committees have staff

members to gather and study information relevant to the committee's jurisdiction. Congress can use legislation within the budget bills or report language to direct actions of the military or provide guidance. Also, the structuring of the budget items within the bill can provide guidance to the Defense Department.

Hearings are held to elicit the positions and views of the senior civilian and military leaders within the Department of Defense and the Department of the Navy. The hearings are a forum where members of Congress can question the leaders about important issues that interest them or to question the justification for certain programs. The hearings also present an opportunity for congressional members to present their views and express their priorities to military officials.

The congressional committees have staff members assigned to them to help the committee members deal with the complexities and details of the defense budget. These professionals are experts in designated areas of the defense budget and work closely with defense officials to provide information and monitoring of defense programs. Each of the four committees providing oversight to the defense budget has professional staff members that include strategic sealift as one of their areas of expertise. The committee members use the professional staff as a tool to provide oversight on areas of the defense budget that interest them.

Another tool at the disposal of the Congress is report or study requirements and a "Sense of the Congress" decree. The committees can write legislation or reports requiring the military to prepare and submit reports to Congress on selected items or programs. Putting the requirement to submit a study into statutory law is a compelling tool for the conduct of congressional oversight. A "Sense of the Congress" decree is a method that clearly states and puts on public record the desires of Congress on a particular issue.

The last tool available to Congress for budgetary oversight is the form and structure of the authorization and appropriation bills. Congress has structured the defense bills so that the Defense Department must spend the funds allocated to them as prescribed by Congress. Although there is some room for adjustments by defense officials within categories, for the most part money must be obligated for the purposes written into the defense bills. A specific example of this is evident in the Ship Construction, Navy (SCN) portion of the defense budget. Congress has structured this account so that each line item is an individual appropriation. Any attempt to reprogram funds within this account must be approved by Congress. This tool ensures that the will of Congress expressed in the authorization and appropriation process is maintained during the execution process.

This chapter and the next two chapters will discuss the use of these tools by Congress in the area of strategic

sealift during the oversight of and intervention into the defense budget.

C. CONGRESSIONAL INTERVENTION IN THE STRATEGIC SEALIFT BUDGET

The rest of this chapter discusses the overall level of intervention by Congress into the strategic sealift budget. Specifically, this analysis examines the changes made to the President's budget request for strategic sealift during the course of providing final appropriations by Congress between FY 1981 and FY 1994. The purpose of this analysis is to highlight funding and policy differences between Congress and the Department of Defense in allocating resources.

The data used in the analysis is provided by the Comptroller of the Department of Defense and the congressional reports issued as a result of the budget process.

This analysis divides the fourteen fiscal years into three periods. The first period is FY 1981 to FY 1985. This period shows the initial investment efforts in strategic sealift in response to the Soviet military build-up and events in the Middle East. The second period is FY 1986 to FY 1989. The budgets in the second period reflect the realization of the decline of the U.S. merchant fleet and the deterioration of the defense industrial base for shipyards, a growing concern for the sealift capacity shortage and efforts to correct these problems. The third period is FY 1990 to FY 1994. This timeframe is monopolized by the events surrounding Operation

Desert Shield/Desert Storm. These periods help frame the strategic sealift budget trends and provide a structure for examining congressional oversight and intervention.

1. Broad Trends In Strategic Sealift

Congressional intervention into the strategic sealift budget during the period FY 1981-1994 was significant. This is especially obvious when the broad trends affecting the defense budget over this period are analyzed.

During this span, Congress reduced the total Department of Defense budget request in 12 of the 14 years. The average reduction during the period was 3.5 percent. In contrast, Congress increased the budget request for strategic sealift in 9 of the fourteen years, with an average increase of 87.7 percent. In the last five years alone, Congress nearly doubled the Pentagon's funding requests for sealift, adding over \$2.2 billion to enhance sealift capacity.

The priority of funding for strategic sealift was also raised during each of the time period analyzed in the fourteen year time span. In the first period, the funds appropriated for sealift averaged .178 percent of the entire DoD budget. The second period yielded an average of .193 percent of the total DoD budget and this increased to an average of .348 percent during the third period.[Ref. 13]

These broads trends in the budget for strategic sealift show significant congressional intervention and an

increase in the priority of sealift within the total DoD budget. The following sections describe the type, size and nature of congressional oversight of the strategic sealift budget.

2. The Initial Investment in Strategic Sealift: FY 1981-85

In response to events in Iran and the growing naval fleet of the Soviet Union, the Department of Defense looked for some solutions to the immediate need for strategic sealift. In particular, the Pentagon concentrated on solving the sealift capacity required to support the RDJTF concept. The period between FY 1981-FY 1985 revealed a Congress that fully supported the need for more sealift capacity but differed on the approach and concepts put forward by the military. In addition, Congress attempted to force the military to use funds for sealift efficiently by threatening to withhold them. The President's budget for FY 1981 included a request for \$207 million to construct two MPS ships for the RDJTF. Although Congress supported the concept of the MPS, it felt that this was an inadequate attempt to satisfy an urgent need. Instead of funding the MPS, Congress appropriated \$318 million to modify eight SL-7 container ships for military use. Congress felt that its initiative was a more timely and cost effective alternative to the strategic sealift problem.

The following fiscal year provided another example of congressional intervention into the strategic sealift budget.

The Defense Department displayed a strong commitment to strategic sealift by requesting \$1.1384 billion worth of programs in the FY 1982 budget. These programs included purchasing MPS equipment, constructing MPS container and Roll On/Roll Off (RO/RO) ships, a purchase and conversion program for MPS's, and some long lead time procurement for a hospital ship. Later in the year, the military altered its sealift capacity strategy and decided to cancel the proposed construction of the MPS ships and instead moved to a buy\lease program for the FSS's.

Congress did not fully agree with the new direction of the Pentagon and consequently funded less than a third of the request. Congress appropriated \$307.6 million to fund the buy/lease program for the FSS's, citing uncertainty and limited justification for the buy/lease aspects of the program.

The same trend continued in both FY 1983 and FY 1984. The Department of Defense requested \$662.6 and \$907.8 million for those years and received \$344 and \$838.6 million respectively. Congress alluded to insufficient program justification and inefficient programs to deny funding for the strategic programs in these years.

The same pattern was evident in FY 1985 but Congress also added some resources to fix problems that it observed. Congress added \$5 million to the budget to pay for the dispersal of RRF ships. A report by the House Appropriations

Committee staff showed that the shipyards in the vicinity of the three main RRF sites would be saturated in the event of a major mobilization. The additional funding would pay for the transfer of several ships to alternative ports. Congress also added \$27.2 million to fund the transportation, loading and reconfiguration costs for the delivery of the first and second MPS increments.

The initial investment period reflects numerous disagreements between the Department of Defense and Congress in terms of funding priorities for strategic sealift. Although both sides showed some desire to enhance strategic sealift capacity, they could not agree on a unified approach to solve the problems. The Pentagon was given an opportunity to study the problem and to complete the Congressionally Mandated Mobility Study and the DoD Sealift Study (both discussed earlier). The period also produced several viable acquisition programs and some advances in sealift capacity. The Pentagon viewed this period as a significant investment in strategic sealift and substantial progress to solve an evolving problem. Congress viewed this same period with some frustration at what it perceived as inadequate efforts by the military and a shortage of sealift capacity that was not being solved very quickly.

3. Decline and Renewal: FY 1986-89

In this period, Congress and the Department of Defense

displayed similar approaches to the strategic sealift issue. Both parties attempted to adopt solutions to rectify the identified shortages in sealift capacity. These solutions were based on the findings of the Congressionally Mandated Mobility Study and the DoD Sealift Study. The trend of congressional intervention in the period was to provide slight increases in funding to the amounts requested in the President's budget for projects deemed worthy. Overall, Congress tended to support the concepts put forward by the Defense Department and promote specific areas of concern.

The Defense Department requested \$1.159 billion in FY 1986 for strategic sealift programs and Congress appropriated \$1.191 billion. Most of this money went for the maintenance and upkeep of the RRF ships bought in previous years, but funds were also allocated to purchase additional RRF ships, convert three T-ACS crane ships and one T-AVB aviation logistics ship, and purchase more sealift support equipment. Although Congress lowered the amount of funding for the conversion of the crane ships by \$8.5 million due to lower contracts negotiated for previous conversions, they included an extra \$25 million to buy more ships for the RRF and \$12 million to buy more Seasheds in the Sealift Support Equipment program.

In FY 1987, the President's budget requested \$205.2 million for strategic sealift programs and Congress appropriated \$244.3 million. Congress removed \$20.7 million

requested for the Sealift Enhancement program on grounds of insufficient planning by the Navy, but added money for several other programs. Once again Congress provided an extra \$50 million for the purchase of RRF ships and \$12 million to buy more Seasheds. There was another \$3.855 million provided for dredging operations at James River, VA and Beaumont, TX to restore adequate access for ships of the NDRF.

Congress was a bit less generous in FY 1988, with the Department of Defense requesting \$719 million and Congress slightly lowering that total to \$712.4 million. This reduction was mainly due to the second denial of funds for the Sealift Enhancement program, a \$17.8 million line item. Congress added \$12 million to procure more Seasheds.

In FY 1989, the Defense Department's investment in strategic sealift was reduced significantly. The President's budget request included only \$37.2 million for strategic sealift. Although Congress included some discussion of the continuing serious shortage of sealift capacity, there was very little intervention into the program. Instead, Congress nearly doubled the request, adding \$20 million to obtain more Seasheds and \$15 million to continue funding a new program within the Amphibious Equipment line item, the Offshore Petroleum Discharge System (OPDS).

During this period, Congress and the Pentagon maintained similar views on the amount and type of resources needed for the strategic sealift program. Although Congress

expressed some dissatisfaction at the progress of the military in solving the shortage of sealift capacity, there was strong support for DoD budget requests intended to solve the problem.

4. The Impact of Desert Shield/Desert Storm: FY 1990-94

This interval was dominated by the events surrounding Operation Desert Shield/Desert Storm. It also marked the most serious confrontation between Congress and the Department of Defense over the allocation of resources for strategic sealift. While Congress appropriated large sums of money in an attempt to bring quick solutions to the now clearly defined shortages of sealift capacity, the Pentagon took a more cautious approach and looked to better define the amount and type of sealift capacity needed in a changing world. This divergence of views resulted in substantial adjustments to the defense budget by Congress.

The year preceding the Persian Gulf conflict, Congress began a remarkable trend of intervention into the defense budget to promote strategic sealift. The President's budget requested \$448.6 million the majority of which would fund the operation and maintenance of the existing sealift assets. Congress, expressing great dissatisfaction with the lack of initiative in solving the persistent deficiency in mobility lift capacity, added \$600 million to buy strategic sealift ships to partially redress the issue. Congress intended this appropriation as the first step in a continuing effort to

solve the problem and urged the Navy to include requests for at least three more fast sealift ships annually. Congress provided an additional \$16 million to purchase more amphibious equipment (OPDS systems) and also initiated a \$15 million appropriation for Enhanced Fast Sealift Technologies Research. Congressional intervention into the FY 1990 defense budget more than doubled the Defense Department's allocation of resources to strategic sealift.

This posture continued in FY 1991. The Department of Defense budget request was slightly higher than the previous year, \$485.9 million, and was devoted to the same programs. The congressional response, fueled by Iraq's invasion of Kuwait on 2 August 1990, was more dramatic. Congress appropriated an additional \$40 million for the readiness of existing strategic sealift assets, \$900 million for the purchase of sealift ships, and \$3.4 million for the second year of the Enhance Sealift Technologies Research Program. This action by Congress almost tripled the amount requested by the President. Even though the budget process for FY 1992 was nearing completion when Saddam Hussein's troops marched across the Kuwait border, the early results of the mobilization of U.S. forces revealed a significant shortage of strategic sealift.

The Department of Defense budget submission for FY 1992 included only \$88 million for strategic sealift programs, \$86 million for amphibious equipment and \$1.9 million for the

Merchant Ship Naval Augmentation Program (MSNAP), a program that develops prototype systems that enable civilian merchant ships to perform tasks in support of the strategic sealift mission.

Once again, the trend of congressional increases was evident. Congress added \$30 million for the operation and maintenance of sealift programs, a substantial \$600 million for the procurement of more sealift ships, an extra \$6 million to buy another OPDS system and \$3 million to explore a new program, Mobile Offshore Basing Analysis, which is an extension of the maritime prepositioning concept. These congressional initiatives provided almost a billion dollars extra to the strategic sealift budget, more than eight times the amount originally requested in the President's budget.

Fiscal Year 1993 produced a short reversal in the trend of this period, with the Pentagon requesting a larger budget than Congress was willing to support. The President's budget request included \$1.203 billion for the purchase of amphibious equipment and a huge \$1.2014 billion to place in a new financial vehicle, the National Defense Sealift Fund (NDSF). Congress urged DoD to use funds unobligated from previous years for the NDSF, appropriating only \$613.4 million for the NDSF and added \$22 million to the amphibious equipment line item for more OPDS systems. Also, Congress provided \$7 million to further explore the Mobile Offshore Basing Program and added \$13.4 million to research Sealift Ship Technology

initiatives that provide dual use for both the military and commercial sectors.

In total, Congress appropriated only \$657.5 million for FY 1993, approximately half of what the Defense Department requested. But, the cut in the request was less significant than the establishment of the NDSF, an initiative that would dramatically alter the future of strategic sealift. This event is discussed in more detail later in this chapter.

The final year of this period showed the Pentagon requesting \$293.4 million for strategic sealift, consisting of \$290.8 million for the NDSF and \$2.6 million under the Amphibious Equipment heading. Congress inserted an additional \$507.7 million for the readiness of existing sealift assets, an extra \$1.250 billion for the NDSF, \$17 million to fund the Mobile Offshore Basing Analysis and \$38.75 million to fund the establishment of a Maritime Technology Office, an agency that would fund a variety of research into maritime improvements.

The additional \$1.250 billion appropriated to the NDSF was not intended for strategic sealift programs. Rather, \$1.2 billion is meant to fund an aircraft carrier not yet authorized, with the remaining \$50 million for loan guarantees for the shipbuilding industry. This leaves \$290 million for sealift, the same as the administration requested. Thus congressional intervention into the defense budget in FY 1994 provided a funding level for strategic sealift (excluding the funds for the aircraft carrier and loan guarantees) of \$349.2

million, 50 percent above the original budget request.

The period of FY 1990 through FY 1994 was characterized by significant differences in the approach to resource allocation for strategic sealift between the Defense Department and Congress. Congress was dissatisfied with the progress of the military in solving an identified shortage in strategic sealift pointed out as early as 1981 in the Congressionally Mandated Mobility Study and later verified by Operation Desert Shield/Desert Storm. Congress responded by initiating large increases to fund strategic sealift programs.

The Department of Defense assumed a more cautious approach during this period. Rather than requesting funding for programs that may not solve the sealift capacity shortage in an efficient manner, the Pentagon decided to await the results of a new study started by the military in 1990, the Mobility Requirements Study. Even after the release of Volume I of the study, the Navy would not obligate the funding appropriated to procure sealift assets until late 1993. In the interim, design specifications for the new ships were drawn up and the NDSF was established as the financial vehicle for the procurement of strategic sealift ships. The next section will discuss the establishment of the NDSF in more detail.

5. The Establishment of the National Defense Sealift Fund

The issues surrounding the establishment of the NDSF

are significant because they involve congressional oversight responsibility of strategic sealift issues. Specifically, the implementation of the NDSF removed some congressional control in the oversight process of strategic sealift. Although the NDSF gave strategic sealift funding greater visibility in the defense budget, it also gave the military greater flexibility in managing the funding for strategic sealift. This approach caused great concern in Congress, given the significant differences between the Congress and the military in the area of strategic sealift.

The NDSF concept was introduced by the Navy in 1991. The concept was developed by a group comprised of representatives from the Joint Chiefs of Staff, the staff of the Secretary of Defense, each of the four services, the Maritime Administration and the staff of the U.S. Transportation Command. The provisions of the NDSF were incorporated into the National Defense Sealift Improvement Act which was forwarded to Congress in 1991 as part of the President's FY 1993 defense budget request.

The NDSF is structured as a revolving account for accumulating sealift financial assets. It is a centrally-managed fund that receives direct appropriations for sealift ship acquisitions, strategic sealift programs and research initiatives. Previously, funding for strategic sealift programs was located in many different accounts throughout the defense budget. The NDSF can receive revenues and receipts

from sources such as Allied contributions, sealift user fees, possible leasing arrangements and the scrap values from obsolete sealift assets. The fund's expenditures will not only provide for new sealift ships but will also fund the operation and maintenance of other sealift assets, invest in military features for commercial ships and provide funding for research/development efforts in the strategic sealift arena. [Ref. 14]

The Navy points out several advantages of implementing the NDSF. The fund provides higher visibility in the budget for strategic sealift and it promotes greater program continuity versus the current annual approach taken by Congress. The NDSF provides a mechanism to quickly address sealift needs as markets and threats change. The Navy can utilize various acquisition sources to ensure the most cost efficient approach is taken to address sealift priorities.

Also, since the fund can accept revenues, the Navy sees the NDSF as an opportunity to use commercial business practices to sustain the fund's assets over time. For example, sealift assets are usually not required except in times of emergencies. These assets could be leased out on the world market to generate revenue while still maintaining short notice readiness. Another plausible scenario involves the collection of burdensharing funds by foreign nations or alliances which may be interested in cooperative arrangements such as afloat prepositioning of assets near their

countries.[Ref. 15]

The disadvantages of the fund, as viewed by Congress, are the loss of control over the expenditure of funds in the NDSF. Congress would lose some oversight over the exact size and nature of the fund's outlays, which can be substantial sums of money in matters such as ship acquisitions. Congress was especially wary of such an arrangement in the area of strategic sealift. The Navy was requesting the establishment of the NDSF at a time when congressional concerns in this area had been pushed aside for several years.

When the NDSF concept was first proposed in 1992, it received some interest in both the House and Senate Armed Services Committees, but was rejected by both due to concerns over oversight responsibilities. As stated in the National Defense Authorization Act for Fiscal Year 1993, "The committee has reservations about the open-ended nature of this proposal which would provide large, lump-sum authorities not subject to normal oversight." [Ref. 16]

The Navy continued to lobby Capitol Hill for the establishment of the NDSF, with the then Secretary of the Navy Sean O'Keefe becoming an active advocate for the fund. After some intense negotiations with congressional staff and leaders over provisions ensuring oversight control of the fund, both the House and the Senate Appropriation committees appropriated funds for the NDSF, pending authorization. Secretary O'Keefe then persuaded Senator John Warner to introduce an amendment

to the Defense Authorization Act on the floor of the Senate. After approval of the amendment on the floor and after the Authorization Conference Committee approved the Senate position, the NDSF legislation easily passed through the remaining congressional process.

The legislation included limiting provisions providing congressional oversight guidance for use of the fund. An example of this guidance is contained in the conference report for the Defense Authorization Act for FY 1993.

Finally, regarding amounts that may be deposited into the fund in the future, the conferees agree that such amounts shall be authorized for specific purposes, typically based on the annual budget request. However, to the extent that the Secretary should desire a deviation from the plan as authorized, the conferees direct that such changes shall be made only after notification to the congressional defense committees through a prior approval reprogramming process.[Ref. 17]

The NDSF was initially capitalized with \$2.463 billion, mostly made up of prior year appropriations. The initial funding consisted of the current appropriation for FY 1993 of \$612.4 million, \$600 million from FY 1992, \$900 million from FY 1991, and \$350 million from FY 1990. Congress originally provided \$600 million in FY 1990 for strategic sealift acquisition but the Navy needed these funds late in the year to cover excess personnel and CHAMPUS costs and \$250 million was reprogrammed with congressional approval.[Ref. 18]

The establishment of the NDSF was significant for many reasons. By consolidating funding from many programs into one

account, strategic sealift was given higher visibility and greater prominence in the defense budget. The implementation of the fund gave the Navy the flexibility to manage sealift assets like a business, collecting revenues and purchasing required assets. It also produced a mechanism for quickly addressing sealift needs as markets and threats change. It allowed the use of various procurement sources to ensure cost efficiency in resource allocation. The fund is also intended to provide greater continuity in the strategic sealift program. While the establishment of the NDSF produced several advantages for the Department of Defense and the Navy, Congress included provisions allowing continued oversight of the fund.

D. SUMMARY

The strategic sealift program is a portion of the defense budget and is submitted to Congress each year in the President's budget request. In Congress, the program is subject to annual review as part of the authorization and appropriation process. The strategic sealift program must be authorized and appropriated by the committees in the House and the Senate responsible for defense oversight. Congress has a variety of tools for use in the oversight process.

The data indicates that the Department of Defense and Congress agree that a shortage in sealift capacity existed; however, they did not agree on the proper allocation of

resources to solve the problem. Congressional oversight into the strategic sealift budget can be broken into three time periods. The first time period, FY 1981-FY 1985, showed Congress and the Pentagon failing to develop a unified approach to solving the sealift capacity shortage, although some progress was achieved. The second time period, FY 1966-FY 1989, found both parties sharing similar views and little intervention into the defense budget by Congress. Disagreement returned during the third time period, with Congress appropriating large budgets in an attempt to force sealift ship procurement while the Defense Department took a more cautious approach.

This chapter examined the results of congressional oversight of the strategic sealift. The next chapter will further explore the congressional oversight process by reviewing differences between the House and the Senate and the authorization and appropriation committees.

IV. THE DIFFERENCES IN CONGRESSIONAL OVERSIGHT OF THE STRATEGIC SEALIFT BUDGET

This chapter examines the differences between the House and Senate changes to the strategic sealift budget. It also examines the differences between the changes to the strategic sealift budget made by the authorization and appropriations committees. The purpose of this section is to determine whether there are appreciable differences, either qualitative or quantitative, within Congress in terms of treatment of the strategic sealift budget.

Some patterns are immediately evident. During the timeframe examined, FY 1981-94, the Senate was frequently more generous than the House in the area of strategic sealift, providing an average increase above the House amounts of 13 percent over the fourteen year interval. This pattern was most evident in the early years of the period.

But this pattern was not as important to the strategic sealift program as were differences between the authorization and appropriations committees. The first significant trend shows that the appropriations committees almost always provided more financial resources to the strategic sealift program than did the authorization committees. This trend is even more important considering that federal law requires that funds must be authorized before they can be appropriated.

Although Title 10 of the U.S. Code clearly states this requirement, appropriators have often provided funding above the authorized amounts and this provision of the code has never been tested in court.[Ref. 19] In any case, the appropriations committees nearly always increased the amount approved by the authorization committees for strategic sealift.

The other obvious trend showed that the majority of the legislative provisions, study requirements and initiatives that shaped the future of the strategic sealift program were the product of the authorization and appropriations committees, rather than the full House or Senate. Although both committees provided policy guidance, the authorization committees provided the more important policy direction for the strategic sealift program. This is to be expected, given the relationship between the authorization and appropriations process. According to the Manual on the Federal Budget Process, "The ideal division of labor between these two types of enactments would be for the appropriations act to determine the amounts available for expenditure and the authorization act to determine the purposes for which the funds are to be used." [Ref. 20] Although this ideal is not strictly upheld in the area of strategic sealift, it generally holds true.

This chapter is organized on the basis of the same time periods as the last chapter for purposes of continuity and

simplicity.

A. THE HOUSE VERSUS THE SENATE

1. The Initial Investment in Strategic Sealift: FY 1981-85

This period was a time of disagreement between the Department of Defense and Congress in terms of funding priorities for strategic sealift. Within Congress, the Senate displayed a stronger commitment toward providing funding for strategic sealift than did the House. The only year in which the House and the Senate were in total agreement for strategic sealift funding during the fourteen year time period examined was FY 1983. Even when Congress funded less than the amount requested by the President, the Senate usually included a funding level above what was included by the House.

In FY 1981, the most significant difference between the two chambers was that the Senate provided resources to buy and convert SL-7 ships for the FSS program, which the House did not support. This program, initiated by the SASC, was accepted in the conference committee. The SASC explained its support for the FSS program as follows:

Although the Navy did not request funds for these vessels, the committee considers the acquisition and modification of these eight existing commercial ships to be a high-priority requirement for national defense. The availability, cost, speed and capacity of these ships are compelling arguments for their inclusion in the fiscal year 1981 Defense budget.[Ref. 21]

The Senate's initiative in FY 1981 would pay dividends later

when the FSSs proved to be vital assets during Operation Desert Shield/Desert Storm.

Again in FY 1982, Congress and the Department of Defense disagreed on the direction necessary to solve the shortages in strategic sealift. Consequently, Congress funded only a third of the budget request, with the Senate including more funding than the House during the budget process. The only line item for sealift funded in FY 1982 was the continuation of the FSS program initiated in the Senate the previous year.

Fiscal Year 1985 showed mixed results between the House and the Senate. During the authorization process, the Senate Armed Services Committee provided increases to the budget request, as did the House Appropriations Committee during the appropriations process. The result was that the Senate provided greater funding for sealift during the authorization process while the House provided greater funding during the appropriations process.

Overall, this period demonstrated that the Senate was significantly more eager than the House to invest in strategic sealift. This preference, however, was not as pronounced in the next two periods. Both chambers used funding preferences rather than legislative provisions or study requirements to shape strategic sealift policy in this period.

2. Decline and Renewal: FY 1986-89

This period was a time of harmony between the Department of Defense and Congress in terms of funding priorities for strategic sealift. Throughout this period, Congress endorsed the approach and size of the Pentagon's budget for strategic sealift. The changes that were made to the budget request by the House and the Senate reveal only one distinct pattern: the House added funding to the Sealift Support Equipment line item to buy more seasheds. House support for the seasheds was consistent throughout the life of the program. Neither the House or Senate produced any legislative provisions or report requirements in the area of strategic sealift.

3. The Impact of Desert Shield/Desert Storm: FY 1990-94

Throughout most of this period, Congress differed greatly with the approach and size of the Pentagon's budget for strategic sealift. Within Congress, the Senate provided slightly larger increases than the House to the strategic sealift budgets. Also, the Senate committees combined to push legislation attempting to provide solutions to the sealift problem while addressing the declining U.S. shipbuilding industry.

House and the Senate actions on the FY 1990 strategic sealift budgets were similar, with one exception. The Senate provided funding for research efforts to develop enhanced fast

sealift technology to promote defense mobility needs and provide a boost to the declining U.S. shipbuilding industry. The members of the Senate Appropriations Committee supported their brethren in the Senate Armed Services Committee with respect to the research efforts. Report language from the Senate's Department of Defense Appropriations Bill states,

the committee is convinced that in order to reinvigorate the shipbuilding industry, emphasis must be placed on designing high speed vessels, with low operating costs. It is hoped that by emphasizing such designs the U.S. shipbuilding industry can be brought to the forefront in the design of commercially viable ships, while providing the sealift which is critically needed for national defense.[Ref. 22]

Although both the House and Senate provided large increases to the strategic sealift budget in FY 1991, the authorization committees had already completed work on their bills prior to Iraq's invasion of Kuwait. Consequently, the reaction to the invasion was reflected solely in the appropriations process. Given this fact, it was the House that displayed greater support for strategic sealift in FY 1991. Even before the invasion, the House included \$250 million for sealift ship procurement in the authorization process and approved \$500 million above the amount approved by the Senate in the appropriations process. The Senate again supported the fast sealift research efforts and included funding to continue this program.

In FY 1992, although the President's budget request for sealift was increased, there were no significant

agreements on funding levels or programs within the House or the Senate.

The House could find no consensus on strategic sealift in FY 1993, while the Senate demonstrated solidarity by initiating funding for the Sealift Ship Technology Development program. This program evaluated several technology initiatives that could be applied to both commercial and military shipping, including simpler ship construction, better cargo handling, reduced manning requirements and reduced fuel costs. It had its origins in the efforts of the professional staff members of the Senate Armed Services Committee.[Ref. 23] The Senate hoped to accomplish two interrelated goals with this program, as stated in the SASC report:

If developing new technologies resulted in a more competitive U.S.-flagged fleet, there would be less need for the government to own and maintain Navy or Maritime Administration cargo ships. However, there are ships which have no commercial utility but provide essential military capability. These ships, which are more appropriately owned by the government in peacetime, could derive crews from a larger reservoir of merchant seamen.
[Ref. 24]

Fiscal Year 1994 produced increases in the strategic sealift budget by both houses of Congress, but no clear trends in policy oversight. It also produced an attempt by the Senate to establish a National Defense Strategic Lift Fund. This fund would have provided a single account to support strategic mobility requirements for the Department of Defense. The Senate recommended a total of \$2,669.1 million for the

Fund, reflecting \$290.8 million requested for the NDSF and \$2,378.3 million requested for the Air Force's C-17 procurement program. Ultimately, in concurring with the objections of both the Navy and the Air Force, Congress rejected the concept of the Fund.

Overall, there was only a small difference in the funding levels for strategic sealift between the House and the Senate during this period. Both chambers tended to provide large increases to fund sealift ship procurement, although the Senate provided slightly greater funding increases. Neither the full House or Senate used legislative provisions or study requirements to a great extent to guide strategic sealift policy. A greater consensus existed between the authorization and appropriations committees.

B. AUTHORIZATIONS VERSUS APPROPRIATIONS

1. The Initial Investment in Strategic Sealift: FY 1981-85

This period differs from the next two periods because it displays no discernable pattern between the budget totals in the strategic sealift budget approved by the authorization and appropriations committees of the House and Senate. In three of the five years the authorization committees provided the greater funding levels and the other two years the appropriations committees approved the higher amount. But there are some important provisions and report language

included by the committees in these years.

The FY 1981 Authorization Act required the Secretary of Defense to conduct a study of the lift requirements for deployments of U.S. military forces. As stated in the report from the Senate Armed Services Committee,

The committee also believes that identification of necessary long-range lift augmentations requires a thorough analysis of all relevant factors, including anticipated response-time requirements, comparative vulnerability, and relative capacities in situations likely to be of concern to field commanders during the decade of the 1980's. This analysis should form the basis for new airlift and sealift initiatives, as well as for the design of suitable ships, new aircraft or derivatives of existing aircraft.[Ref. 25]

The study required by the authorization committees, called the Congressionally Mandated Mobility Study, was completed on 30 April 1981.

The CMMS determined overall U.S. military mobility requirements, including the total mix of airlift, sealift and prepositioning necessary for contingencies in the Indian Ocean area and other areas of potential conflict in the 1980's. The study looked at different contingencies and used U.S. assets as they existed in 1981 to determine mobility capabilities and needs.

The results of the CMMS verified a shortage of strategic lift in the U.S. and made some recommendations. The recommendations included a need for eight FSS (a program initially funded in FY 1981), additional dedicated RO/RO type ships, a prepositioning program (Congress had denied funding

for this program in FY 1981), some sealift support equipment such as seasheds and flatracks, and the development of a Logistics Over The Shore (LOTS) program.

The Department of Defense used the CMMS for planning and budgeting purposes for the next several years. But in 1983, during DoD's preparation of the POM (Program Objective Memoranda) for FY 1984-88, questions once again arose over the amounts of strategic sealift necessary to meet national defense needs. The Defense Resources Board deferred consideration of changes to ongoing sealift programs, and instead, chartered a study to investigate the requirements for strategic sealift.

This study, completed in March 1984, was titled the "DoD Sealift Study." It was based upon the forces that were scheduled to be available in 1988 (including programs funded but not currently in production) and examined various scenarios and parameter variations. The study was designed to consider strategic sealift needs to meet the deployment objectives identified in the FY 1985-89 Defense Guidance.

The DoD Sealift Study reached many of the same conclusions that were rendered in the CMMS. The DoD Sealift Study specified slightly different quantities of sealift ships and also recommended that the Navy convert some ships to crane ships for use in ports with no crane capacity.

The CMMS and the DoD Sealift Study would be the basis for the Defense Department's approach toward solving the

shortages in strategic sealift for the next several years. These studies would also provide the basis for congressional oversight of the strategic sealift budget.

In FY 1982, the appropriators showed some frustration with the Navy's progress in solving the sealift shortage. Report language in the House of Representatives 1982 Department of Defense Appropriations Bill states, "To reiterate, the Committee is deeply concerned about the continual delay in obtaining this vitally needed capability, and directs the Navy proceed forthwith with the aforementioned direction." [Ref. 26]

Once again in FY 1984, the appropriators demonstrated some concern about the Navy's commitment to strategic sealift. In an example of using budget structure to exert congressional oversight, the House Appropriations committee directed the Navy to change the method of classifying sealift funding. Report language accompanying the House Defense Appropriations Bill, 1984 states,

Despite the fact that the Department of Defense Five Year Defense Program (FYDP) accounting structure provides a specific program line item for airlift and sealift resources, the Navy has traditionally ignored this structure and included all sealift funding as a part of fleet operations. Consequently, it is relatively easy for the Navy to divert funds during program execution from the less exciting, but no less important sealift programs. The Committee believes that the importance of properly funded sealift programs is clear. [Ref. 27]

In FY 1985, the authorization committees included a provision in their bill directing the Secretary of the Navy to

notify the committees prior to acquiring any ships for the RRF. The committees contended that this provision was enacted because the Navy could not describe the ships it planned to acquire during hearings. The provision is symbolic of actions taken by the authorization committees during this period and the entire fourteen year timeframe. These committees were consistent in their attempts to monitor and shape the strategic sealift program, especially during periods of perceived uncertainty within the Defense Department.

Another interesting initiative proposed in FY 1985 by the appropriators did not survive. A Merchant Ship Construction Revolving Fund was proposed in the Senate. This fund was to be derived from unobligated funds available in prior-year defense appropriation accounts and could also accrue miscellaneous receipts as provided by the Merchant Ship Act of 1936. The fund was intended for the construction of militarily useful commercial ships that would be leased to private shipping concerns. The appropriations conference committee reluctantly deleted this recommendation since it had not been authorized, but encouraged the Administration to provide a proposal in the future. Although the Merchant Ship Construction Revolving Fund was never established, it was the forerunner of the NDSF.

In summary, during this period no discernable pattern of budgetary differences between the authorization and appropriations committees in the area of strategic sealift was

apparent. Both committees, however, displayed some of the other oversight tools available to Congress. The authorizers used study requirements and report language to shape strategic sealift policy. The appropriators used report language and the accounting structure to mold the strategic sealift budget. The actions of both committees during this period formed the framework of strategic sealift well into the future.

2. Decline and Renewal: FY 1986-89

This period is dominated in the budget area by the appropriations committees. There is a well defined pattern of appropriations increases above both the Pentagon's request and the amount authorized for the strategic sealift budget in almost every fiscal year. In addition, both the authorizers and the appropriators included some important study requirements and legislative provisions during this timeframe.

In FY 1986 there was only slight differences between the budget amount approved by the authorizers and the slightly higher amount approved by the appropriators. Displaying some of the harmony characterized by this period, report language in the House Appropriations Bill states,

In fiscal year 1985, the Committee directed the Department of the Navy to proceed with the disbursing of 40 to 50 Ready Reserve Force (RRF) ships to sites other than the three sites where the RRF is currently concentrated. The Navy has actively pursued this initiative and recently announced their decision to layberth 38 of the ships along the East and West Coasts by end of fiscal year 1986. Overall, the Committee is pleased that the Navy has taken steps to address this important issue.[Ref. 28]

In addition, the appropriations committees once again attempted to create a revolving type fund for the strategic sealift budget. The appropriators designated this recommended fund the "Mariners Fund" and made available \$852.1 million in unobligated SCN funds for the construction and lease of cargo vessels configured for the military sealift mission. Notwithstanding the appropriators' interest in the establishment of a revolving type fund to promote the strategic sealift programs, they remained determined to maintain oversight responsibility of the fund, as noted in the Appropriations Conference Report,

It is the conferee's intent that, in the event of enabling legislation, the Appropriation Committees will have ample time to conduct hearings and otherwise review and approve any obligations for ship construction under the Mariner Fund mechanism. The conferees endorse the goal of establishing a modern sealift fleet, operating under revenue-producing charters and immediately available for military use in events of emergencies. However, full congressional review at both the authorization and appropriations level is essential to assure the most cost-effective use of any funds made available to the Mariner Fund.[Ref. 29]

However, because no authorization was enacted for the Mariner Fund, it was never established. It would still be several years until the establishment of the NDSF.

Fiscal year 1988 was noteworthy not for the budgeting differences between the authorization and appropriations committees (the appropriators approved slightly more than the authorizers for the operation and maintenance of the RRF) but for report language and provisions. The authorization

committees initiated a concept called the "Fast Sealift Initiative," an effort to identify and purchase, or design, fast sealift ships with RO/RO capability. This initiative was an indication of growing congressional concern in the area of strategic sealift. Report language from the Senate Armed Services Committee states,

Inadequate strategic mobility is a major deficiency in carrying out U.S. military strategy. At present, the United States has substantially more combat capability than it can deploy in a timely manner during periods of crisis or war. . . . Although substantial progress has been made in recent years in improving sealift capabilities, the [Projection Forces and Regional Defense] subcommittee is concerned about limited fast sealift and insufficient merchant seamen to crew sealift ships during mobilization contingencies.[Ref. 30]

The authorization committees also noted they would look favorably upon a request for funds for this program in FY 1989.

The appropriations committees also included report language that would greatly impact the strategic sealift area. The committees noted that although MARAD administered the operations and maintenance of the RRF, the funding was included in the DoD budget and there was no incentive for either side to use the funds efficiently. The appropriations committees included a provision requiring the executive branch to provide a recommendation to solve this problem.

This language prompted the executive branch to create a separate line item for funding support of the RRF within the Department of Transportation section of the President's budget

each year. With this change, the Defense Department was no longer required to fund a program it did not control. Also, MARAD was given a clearly defined funding base for the RRF and Congress could now provide greater influence over a specific line item in the budget.

The budgeting trend of this period continued in FY 1989, with the appropriations committees approving the assignment of more resources than the authorization committees. But more important was the report requirement generated by the authorization committees. These committees directed the Secretary of Defense to submit a report on manpower, mobility, sustainability and equipment which would later become the MRS (discussed earlier).

This report requirement would propel the Defense Department to reexamine the strategic mobility requirements that had last been quantified in the CMMS. It would also emphasize the shortage in strategic sealift and influence the approach the Pentagon would take to strategic sealift for the next several years. This requirement would also become the focal point of congressional discontent over the military's prioritization and attention to strategic sealift during the last decade. This discontent is expressed in the Senate's Defense Authorization Act for Fiscal Year 1989:

For a number of years, the committee has been aware of, and concerned about, the significant gap in the Nation's strategic capability caused by the lack of fast sealift. Hearings this year revealed that solutions to this deficiency are no closer than when the Congress expressed

its concern early in the decade by requiring the Congressionally Mandated Mobility Study. . . Recognizing that a lack of progress in this area may be due to the nature of the bureaucracy and the internal ordering of priorities, the committee believes the time has arrived when fast sealift should enjoy a higher priority. [Ref. 31]

In summary, this period showed a pattern of modest budgetary increases by the appropriations committees over the authorization amounts in the area of strategic sealift. This period also displayed the power of the other tools available to Congress in the oversight process. The appropriations committees used report language to prompt an executive branch solution to a resource allocation dispute and prodded DoD to establish a revolving fund for strategic sealift. The authorization committees used report language to promote fast sealift initiatives and to force the Pentagon to reexamine strategic mobility requirements. These efforts would foreshadow events of the next period.

3. The Impact of Desert Shield/Desert Storm: FY 1990-94

The appropriations committees gave a higher priority to strategic sealift than did the authorization committees during this period. The appropriators increased funding for the sealift budget every year over the amount approved by the authorizers. In addition, it was the appropriations committees that provided the most notable reaction to the events of Operation Desert Shield/Desert Storm.

Although the Department of Defense did not request funding for the acquisition of strategic sealift ships in FY 1990, the authorizers initiated funding for long lead procurement items for sealift ships. The appropriators were even less patient, approving \$600 million to begin acquiring ships to satisfy the shortage in sealift capacity. The posture of the appropriators is evident in report language accompanying the House Appropriations Bill,

It is the Committee's belief that the changing international environment necessitates an aggressive enhancement of America's sealift capacity. Talks are proceeding on a conventional arms agreement and on the potential redeployment of various U.S. troops presently stationed abroad. The Committee welcomes these trends but notes that a retrenchment of large numbers of troops to the continental United States would make it increasingly urgent that adequate sealift capacity exists. Furthermore, a serious sealift shortfall exists under present conditions. Thus, the Committee has recommended an ambitious program to procure cargo ships and tankers to address the sealift shortfall at a time when shipbuilding capacity exists. Further study and the consequent delays in procurement would only result in fewer shipyards available to perform the work required now and in the future.[Ref. 32]

Fully a year before Iraq's invasion of Kuwait, the appropriators' actions targeted on a shortfall in strategic sealift that would become acute during the conflict.

In FY 1991, the appropriations committees again took the lead in supporting strategic sealift. The work of the authorization committees was completed prior to the start of the Persian Gulf conflict, and the difference between the budgets approved by the authorizers and the appropriators existed mainly in the funding for the purchase of strategic

sealift ships. The authorizers initiated \$250 million for ship acquisitions, which the appropriators increased to \$900 million. As stated in the Senate's Appropriations Bill,

The early results of Operation Desert Shield demonstrate that a serious flaw in our Nation's defense posture is sealift. The Committee notes that this deficiency was not unanticipated by the Congress which provided \$600,000,000 in fiscal year 1990 for this program. To date, the Defense Department has been unwilling to take steps to redress this shortfall.[Ref. 33]

This report language would foreshadow congressional dissatisfaction with the progress in strategic sealift over the next several years.

The appropriations committees provided over eight times the total funding approved by the authorization committees for strategic sealift in FY 1992. The majority of the increase was concentrated in the SCN account for sealift ships, with \$600 million appropriated for acquiring these ships.

The appropriators again voiced their disapproval of the actions of the Pentagon in solving the shortage in sealift capacity in the Conference Report: "The failure of the Department of Defense to proceed with a sealift program has accentuated the need for immediate action to correct sealift deficiencies made evident during Operations Desert Shield and Desert Storm." [Ref. 34]

Although congressional attention was focused mostly on the debate surrounding the establishment of the NDSF in FY 1993, the appropriations committees again increased the amount

approved by the authorization committees.

The authorization committees also displayed their will in the area of strategic sealift. Showing discontent with the progress of the Defense Department in acquiring sealift ships, the House Armed Services Committee recommended legislation that would have tied the obligation of funds for the Air Force's C-17 program to the obligations of funds for acquiring sealift ships. Although this provision was not approved by the conference committee, Congress sent a clear signal to the Pentagon to raise the priority of strategic sealift programs.

The authorization committees also included a provision in their final FY 1993 bill titled, "Defense Maritime Logistical Readiness." This legislation, designed to revitalize the U.S. shipbuilding industry, established a study group, required several reports and provided for a penalty for failure to produce the reports on time.

The trend of budget increases above the authorization amounts in the strategic sealift budget by the appropriations committees continued in Fiscal Year 1994. And the House Armed Services Committee again attempted to expedite the acquisition of sealift ships that year. Using legislative provisions, the Committee attempted to condition the obligation of funding for sealift ships, this time by linking it to the Navy's DDG-51 program. The Senate Armed Services Committee also attempted to expedite the acquisition of sealift ships. The SASC included a Sense of the Senate decree in its report expressing

support for the prompt award of contracts for sealift ships. However, neither of these provisions were included in the final authorization bill after the Navy announced the awarding of contracts for the conversion and new construction of sealift ships.

Overall, this period was dominated by budget increases in the strategic sealift budget by the appropriations committees. Both the authorization and appropriations committees used reporting/study requirements, legislative provisions and report language to shape the strategic sealift program. In particular, the authorizers used legislative provisions and reporting requirements to expedite current Defense Department actions and accelerate planning activities for the future. The appropriators used report language to reemphasize the shortage of sealift capacity and to criticize perceived Pentagon inactivity.

C. SUMMARY

This chapter examined the differences between both the House and Senate and the authorization and appropriations committees in terms of changes to the strategic sealift budget during the timeframe FY 1981-94. Several patterns of congressional oversight are evident.

Although the House and Senate could not generate a consensus on strategic sealift issues, there were brief periods of agreement on specific programs and funding

priorities. In general, the Senate displayed greater support for the strategic sealift budget by providing larger and more frequent funding increases. Neither chamber demonstrated any significant pattern of influencing sealift policy using the other tools available to them.

A greater consensus was found in the approaches taken by the authorization and appropriations committees. Both committees used report language, study requirements and legislative provisions to exert their will over the strategic sealift program. In keeping with their traditional roles within the budget process, the authorization committees provided more frequent and more important policy guidance. Included in the many actions taken by the authorizers, the study requirements that led to the CMMS and the MRS significantly influenced strategic sealift policy in the 1980's and continue to be the framework for policy in the 1990's. The appropriations committees dominated budgetary oversight of strategic sealift by providing constant and substantial increases.

The next chapter will examine the views of key members of Congress as they impact the strategic sealift budget. It will also look at recent developments and actions in the area of strategic sealift.

V. THE NATURE OF CONGRESSIONAL INTERVENTION INTO THE STRATEGIC SEALIFT PROGRAM

This chapter will examine the motives, influential factors, philosophies and key figures that have influenced the strategic sealift budget. It will analyze the nature of the congressional budget process and the effects of this structure on the strategic sealift budget. The chapter will then address the factors influencing the views and actions of the Department of Defense. This chapter will also address the opinions and views of Senator Daniel Inouye and Congressman John Murtha, both of whom play important roles in congressional oversight of strategic sealift. Finally, an overview of recent developments in the strategic sealift program is provided.

A. CONGRESSIONAL OVERSIGHT INTERESTS AND ISSUES

The Congress of the United States was established with the power to "provide for the common defense" of the nation as just one its many duties. The members of Congress realize the special significance and responsibility encompassed in this duty and generally perform this job in a conscious and deliberate manner.

But Congress is, by design, a political body also. Members must pursue what they consider to be the best interests of

their constituents. In some instances, the interests of the constituents conflict with the interests of the nation as a whole. It is these two sometimes conflicting responsibilities that motivate and influence the actions of Congress.

In the area of strategic sealift, it is the responsibility of Congress to ensure that the Defense Department maintains the necessary resources to transport military forces to defend the country and protect U.S. national interests. Members of Congress often have different ideas about the priority and allocation of resources necessary to accomplish this important goal. Parochial interests frequently but not always explain the different approaches taken to resource allocation. Although parochial interests almost certainly influenced congressional oversight of the strategic sealift budget, the evidence here suggests that such interests were minimal.

In the early 1980's, the decline of the U.S. merchant marine industry coincided with increased turmoil in Southwest Asia. This produced a requirement to enhance the strategic sealift capability of the military to counter the diminishing domestic commercial sector. Both Congress and the Pentagon recognized that a shortage existed in sealift capacity, but the two branches repeatedly differed as to the priority and approach to solving the problem.

Congress saw this situation as an unique opportunity to solve both the shortage in strategic sealift and the decline of the U.S. merchant marine industry with one policy. The

result was congressional intervention into the defense budget to promote strategic sealift. Over the fourteen year timeframe used here, Congress consistently attempted to combine the need for more sealift capacity with the desire for a strong domestic shipbuilding base.

The actions of Congress between FY 1981 and FY 1994 reveal a legislative body determined to pursue its version of the best interests of the nation. There are parochial interests represented on the committees exercising oversight of the strategic sealift budget. Representatives from most of the states with large shipyards are members of these committees. This fact aside, the frequent criticism by Congress of the Defense Department's efforts in the strategic sealift area derive from the continual desire to enhance sealift capacity, not from pursuit of parochial interests. Although the felt need to boost the struggling shipbuilding industry is often mentioned, this motive is usually subservient to the need for a strong national defense capability. Also, the desire to assist the shipbuilding industry is usually explained in congressional reports as an attempt to maintain the defense industrial base. Although parochial interests may be influencing policy, the bulk of congressional report language, study requirements and legislation is justified in terms of congressional responsibility to promote a strong national defense.

B. KEY CONGRESSIONAL POLICYMAKERS

Two members of Congress have provided more influence over the strategic sealift budget than any others. The first is Congressman John Murtha, Chairman of the Defense Subcommittee of the House Appropriations Committee. The second is Senator Daniel Inouye, Chairman of the Defense Subcommittee of the Senate Appropriations Committee. These two individuals stand out because of the large influence exerted by the appropriation committees over the strategic sealift budget. As pointed out in the previous chapter, it was the appropriations committees that provided constant and substantial increases to the strategic sealift budget and also contributed to the formulation of policy guidance. These two congressional members largely controlled the actions of these committees during significant periods of the fourteen year timeframe.

Congressman John Murtha, a Democrat from Pennsylvania, was elected to the House of Representatives for the first time in 1974. He became chairman of the HAC Defense Subcommittee in 1989 and immediately became a leader in defense policy. Murtha has a variety of reasons to be interested in the strategic sealift program. He served as a Marine in Vietnam where he was awarded several decorations including two Purple Hearts. His experience in the military gives him a unique insight and expertise into military matters. As a former member of the Armed Forces, the congressman retains strong

ties to the military.

Congressman Murtha represents a district that contains several large steel producing mines and plants. He serves as a member of the Congressional Mining Caucus and the Chairman of the Congressional Steel Caucus. Since ships are comprised largely of steel, Murtha's influence over the strategic sealift program can be very beneficial to his district.

Congressman Murtha's advocacy of strategic sealift is evident in the hearings he conducts during review of the defense budget. Questions regarding mobility requirements and sealift capability are a constant reminder to DoD officials of his concern for strategic sealift. A representative statement taken from a hearing before his committee in 1993 illustrates this point.

We always have to ask about airlift and sealift. If you don't have adequate airlift and sealift it seems to me it is a matter of time until you are in bad shape in a conflict. We in Congress have made airlift and sealift a high priority. I think you have to continually think about sealift in particular because of everything that was taken to Saudi Arabia--95 percent went by sea and we had a big problem. If it hadn't been for the eight fast sealift ships Congress added a few years ago, they wouldn't have been able to deploy in the time they did.[Ref. 35]

Through Congressman Murtha's influence and support, the HAC consistently increased the visibility of and funds for strategic sealift. In fact, since Murtha has assumed the chairmanship of the Defense Subcommittee, the HAC has nearly tripled the amount approved by the HASC for strategic sealift, adding over \$5 billion above the amount recommended by that

committee.

Senator Daniel Inouye, the other key congressional supporter of strategic sealift, is a Democrat from Hawaii. Senator Inouye was elected to the House of Representatives in 1959 and served there until 1962, when he was elected to the Senate. He serves on the Subcommittee on Merchant Marine of the Commerce, Science and Transportation Committee as well as the Defense Subcommittee of the House Appropriations Committee. He became the Chairman of the Defense Subcommittee in 1987. Senator Inouye also has several reasons to show interest in the strategic sealift budget.

Senator Inouye served in the Army during WWII. He received a battlefield commission and had tours in Italy and France. Along with this tie to the Armed Forces, Inouye's state of Hawaii has numerous military bases and facilities which are important to its economy. Representing an island, Inouye maintains strong ties with the merchant marine industry and his state has several small shipyards.

Senator Inouye has also made it a practice to help his fellow Democratic senators from California, a state which possesses several large shipyards. Since the economy of Hawaii is closely linked to the economy of California, Inouye frequently uses his influence and seniority to assist the larger state.[Ref. 36]

Senator Inouye's support of strategic sealift is evident in the hearings he conducts relating to the defense budget.

Although the senator uses the hearings to ask questions regarding sealift issues, he also submits statements to be included in the record. An example of Inouye's approach to strategic sealift is found in this statement submitted for the record in a hearing before the Subcommittee on Merchant Marine in 1989:

Last October General Carl Vuono, the Army's Chief of Staff, said his major concern in the event of conventional war, the Army's biggest area of vulnerability, "is strategic lift capability". And, according to the Armed Forces Journal, "regional commanders-in-chief cite fast sealift forces as their biggest long term need". . . Nevertheless, this morning the Assistant Secretary of the Navy will tell the Subcommittee that our sealift program is "in reasonably good health; there is currently no fast sealift new construction program; and beyond the Ready Reserve Force, there is no ship procurement program to improve our sealift posture." Obviously, the agencies of government are divided on this most vital element of our national security. This division, in my view, is symptomatic of the federal government's long standing refusal to realize the seriousness of maritime issues and to act accordingly.[Ref. 37]

Senator Inouye's concern for sealift has produced continual increases by the SAC to the strategic sealift budget. Since Inouye became chairman of the Defense Subcommittee, the SAC has nearly tripled the amount recommended by the SASC for strategic sealift, adding over \$6 billion above the level approved by the latter committee.

Both Congressman Murtha and Senator Inouye exercised great influence over the recent history of the strategic sealift program. As the leaders of the Defense Subcommittees of their respective appropriations committees, they were largely responsible for frequent and significant increases above the

levels authorized for the strategic sealift budget. Both chairmen possess strong ties to the military and parochial interests relevant to sealift issues. Although the parochial interests provided some incentive for their involvement in strategic sealift, the evidence here suggests that both Murtha and Inouye acted in what they considered to be the best interests of the nation.

C. DEPARTMENT OF DEFENSE POLICIES AND ISSUES

The view from the Department of Defense is significantly different. The Department of Defense is tasked with defending the sovereignty and interests of the United States. To accomplish this goal, the Pentagon must carefully determine strategies and policies that best utilize the limited resources allocated to them by Congress. Defense Department officials must also incorporate the guidance and desires of Congress within their plans. It is within these plans that the strategic sealift budget is formulated and executed.

The Defense Department would certainly prefer to acquire sufficient sealift assets to counter every contingency, but there are limits to the resources available to them. The strategic sealift budget, which supports sealift requirements for the entire U.S. military, must compete against other Navy programs for limited resources. Within this competition for resources the policies and issues that influence the size of the strategic sealift budget become apparent.

1. Sealift and the Navy Mission

The first factor that influences the priority of the strategic sealift budget within the Navy budget involves the nature of the Navy itself. Since the initial formation of the nation's naval forces, the Navy's primary missions have been sea control and power projection. As mentioned earlier, strategic sealift was not included as a primary mission of the Navy until 1984. Sea control and power projection mean warships, and so the Navy focuses most of its attention on carriers, combatants, and amphibious ships. The glamour, prestige and pipeline to promotion in the Navy have traditionally been concentrated on these major platforms. It is easy to see that strategic sealift programs naturally receive less attention and emphasis within the Department of the Navy.

2. Sealift and Service Priorities

Another factor that tends to lower the priority of sealift programs with the Navy's budget is the fact that the Army is the principal user of sealift capacity. Navy leaders view Army requirements for sealift assets with skepticism since demand for a product is usually inflated when the product is free. Navy leaders feel the demand for sealift ships would be significantly lower if the Army was forced to fund the strategic sealift budget.

Further, Congress has historically divided the defense budget into three roughly equal shares apportioned to each Service. Since the funds devoted to strategic sealift by the Navy are ultimately providing mission support for the Army, the interservice rivalry between the two members of the Armed Forces promotes a reluctance to allocate valuable resources to support a rival. This rivalry is best explained in The Defense Game,

Sea and air transport has long been underemphasized in the U.S. military. The emergence of the Persian Gulf as a new "vital interest" for the United States only exacerbated the problem. The reason for this is straightforward: airlift and sealift are provided by the Air Force and Navy in support of the Army. These services assign first priority to forces and programs which support their own combat missions rather than spend money on what they view as secondary missions to the Army".[Ref. 38]

Compounding this rivalry, the withdrawal of the U.S. military from foreign shores means the continental based Army will become increasingly more dependent on strategic sealift. This will produce an increase in the Army's sealift requirements and pressure for the Navy to devote additional financial resources to strategic sealift to support their rivals.

3. Sealift and the Availability of Commercial Shipping

Another factor that influences the Navy's perception of strategic sealift is the availability of sealift ships on the world market. This factor was particularly powerful in the initial years of the strategic sealift program. After

World War II, the U.S. possessed a large merchant fleet and the Navy had little need for strategic sealift ships when they were readily available in the domestic market. Even as the U.S. merchant fleet declined, Navy leaders could point to the pool of ships in the world market as an accessible charter source. And although Operation Desert Shield/Desert Storm demonstrated the shortage of sealift capacity possessed by the military, the Navy was still able to amass a fleet of sealift ships by chartering off the world market.

4. Sealift and the Uncertainty Surrounding Operational Requirements

Another issue affecting the Navy's view of the strategic sealift program involved the uncertainty surrounding the precise size of the sealift shortage. During the initial investment in strategic sealift and then again in the early 1990's, the Navy looked to reevaluate its plan to provide sealift capability for the military. Although Congress frequently criticized both the Defense Department and the Navy during these two periods for the progress and emphasis of sealift programs, the Navy justified its cautious approach by citing the need to wait for the results of the two mobility studies, the CMMS and the MRS. In both cases, the Navy preferred to delay any expenditure of funds until validation of specific sealift requirements existed.

The Secretary of the Navy conveyed this viewpoint in congressional testimony in 1989:

There are no formal operational requirements sufficient to justify initiating a new program for high speed sealift ships. This is because the mobility studies only conclude that we are incapable of delivering all the CINCs' cargo on time. . . Other alternatives includes prepositioning-ashore or afloat, more airlift, earlier availability of Army units, etc. Until an analysis has been completed to determine which alternative, or combination of alternatives, provides the most capability for any additional funds invested in strategic mobility, there can be no validated operational requirement.[Ref. 39]

The Navy reasoned that all mobility options should be explored before committing funds to a program in order to produce the most efficient use of their resources.

The reasons listed above show some of the factors that influence the Navy's view of the strategic sealift budget. The nature of the Navy itself, the rivalry with the Army and the conflict between resource users and providers, the availability of sealift ships on the world market and uncertainty concerning the solution to the sealift shortage problem all affected the Navy's approach to the strategic sealift program. Given the factors that influence the Navy's position, their actions with regards to strategic sealift seem reasonable. These factors notwithstanding, the Navy did request nearly \$8 billion for the strategic sealift program over 14 years.

D. RECENT DEVELOPMENTS IN STRATEGIC SEALIFT

The issues and interests that influence the Department of Defense and Congress are apparent in the recent developments that have taken place in the area of strategic sealift.

The most significant of these developments has been the awarding of contracts for the conversion and acquisition of sealift ships. These ships are scheduled to become the heart of the military's sealift capacity for the next several decades. The contracts will also provide substantial work for several shipyards and defense contractors, maintaining a portion of the defense industrial base and providing support for the domestic shipbuilding industry.

1. Ship Conversions

On 30 July 1993, the Defense Department awarded the contracts for the design and conversion of five strategic sealift ships. The five ships are all Large Medium Speed RO/RO's (LMSR). They are the five existing ships built in foreign shipyards that Congress allowed the Pentagon to purchase for conversion.

The Navy briefly considered eliminating the ship conversions due to higher than expected conversion costs, higher life cycle costs and the shorter life span of the ships. But, congressional pressure to take action to reduce the sealift capacity shortage and Pentagon concerns over the short term need for sealift assets prompted the Navy to award the contracts.

The Navy's decision to award the conversion contracts shows the contrasting influences and issues affecting the military and Congress in the area of strategic sealift. The

Navy examined the ship conversion option and discovered that the purchase and conversion of an existing ship would cost more than simply constructing a new ship. The new ship would have a longer life span although there would be a time gap of approximately four years before the new ship could be delivered. Navy officials pointed to the cost efficiency of new construction and argued that any cost savings in the area of sealift could easily be shifted to other service priorities. In addition, the gap in ship delivery dates could temporarily be filled through chartering from the world market.

The congressional viewpoint was much different. The perception in Congress was that the Navy's rejection of the conversion option was another attempt to delay funding of important strategic sealift assets. Along with the delay in money needed to revitalize the slumping domestic shipbuilding industry, Congress also was alarmed with the gap in sealift capacity during the period between ship delivery dates and its implications for the nation's defense capability.[Ref. 40]

Navy Secretary John Dalton weighed both options and finally decided that the conversion of existing ships for the strategic sealift program was in the best interests of the Navy. Although more expensive, awarding the contracts for the ship conversions would alleviate congressional pressure and provide a more rapid response to the shortage in sealift

capacity.[Ref. 41]

The first ship conversion contract was awarded to National Steel and Shipbuilding Company (NASSCO) in San Diego, California for three ship conversions, the other to Newport News Shipbuilding (NNS) in Newport News, Virginia for the remaining two ships. The ship conversions are due to be completed in late 1996.

2. New Ship Construction

In September 1993, the Navy announced the awarding of two contracts for the new construction of up to 12 new LMSRs. The first contract for the construction of a new strategic sealift ship was awarded on 2 September 1993. This contract went to Avondale Industries, Incorporated (AII) in New Orleans, Louisiana. The contract contains options for five additional ships after the completion of the first ship. The initial ship is scheduled to be completed in 2001. The other contract was awarded on 15 September 1993 and went to NASSCO. This contract is also for the construction of one ship with options for five other new ships.

The conversion and construction contracts will produce 17 strategic sealift ships for the Navy. These ships will augment the eight current FSSs and should satisfy a substantial amount of the current sealift capacity shortage.

E. SUMMARY

This chapter examined the motives, influential factors, philosophies and key figures that have affected the strategic sealift budget. Several significant factors are apparent.

Evidence shows that Congress has faithfully executed its role in providing funds and policy direction for strategic sealift. Its actions have been based on a perception of the best interests of the nation in combination with some parochial interests.

The key figures in congressional oversight of the strategic sealift budget, Congressman John Murtha and Senator Daniel Inouye, have greatly affected the funding levels and policy guidance in this important area of the defense budget.

The Defense Department, and particularly the Navy, have also attempted to address the strategic sealift shortage. Their approach was more cautious and deliberate than Congress would have preferred, but not unexpected given the factors that influence them.

The recent developments in the strategic sealift program are major steps in solving the sealift capacity shortage. Congressional support of the ship conversion option was consistent with its efforts to enhance sealift capacity while assisting the domestic shipbuilding industry. The Navy's initial opposition to the ship conversion option is congruent with the approach it has taken over the past fourteen years. The contract awards should provide the military with

sufficient strategic mobility while also maintaining a portion of the defense shipbuilding industrial base needed for the foreseeable future.

[The body of the page contains extremely faint, illegible text, likely bleed-through from the reverse side of the paper. The text is organized into several paragraphs, with some lines appearing as bold or indented. Due to the low contrast and blurriness, the specific content cannot be transcribed.]

VI. CONCLUSIONS

This chapter first summarizes the trends and major events associated with congressional oversight of the strategic sealift budget over the past 14 years. It then offers suggestions for further study.

A. TRENDS AND MAJOR EVENTS IN STRATEGIC SEALIFT

Strategic sealift capability is a fundamental element of the National Security Strategy. In the early 1980's, the decline of the U.S. merchant marine industry, turmoil in Southwest Asia and the growth of the Soviet Union's military focused attention on strategic sealift issues. In the early 1990's, the area of strategic sealift was again highlighted due to the withdrawal of U.S. forces from foreign lands and the Persian Gulf conflict. The demise of the Soviet Union marked the end of the Cold War and removed the immediate threat of a full scale land battle in Europe. No longer facing the Soviet threat, the U.S. began withdrawing troops stationed overseas to counter mounting domestic fiscal problems. This made U.S. military strategy more reliant on strategic sealift in preparing to respond to regional contingencies.

Throughout this timeframe, Congress and the Pentagon agreed that a shortage in strategic sealift capacity existed.

But they differed on the priority and amount of resources necessary to solve the capacity shortfall. The differences were reflected in congressional oversight of the strategic sealift budget.

1. Congressional Budgetary Oversight

Several broad trends and patterns are evident in congressional oversight of the strategic sealift budget during the period FY 1981-1994. While Congress reduced the total Department of Defense budget request in 12 of the 14 years, the budget for strategic sealift was increased in nine of those years. These increases for strategic sealift initiated by Congress were substantial, adding over \$1.2 billion to DoD requests.

Congressional budgetary oversight can be broken into three distinct timeframes: the Initial Investment into Strategic Sealift (FY 1981-85); a period of Decline and Renewal (FY 1986-89); and a period reflecting the Impact of Operation Desert Shield/Desert Storm (FY 1990-94).

During the Initial Investment period, Congress and the military could not find agreement on a strategy to solve the sealift capacity shortfalls. Congress intervened into the strategic sealift budget frequently, initiating some programs while denying or reducing funding for other programs. Even with the disagreement, several important ship acquisition programs were begun and advances in sealift capacity were

accomplished.

In the period of Decline and Renewal, Congress and the Pentagon maintained similar views on the amount and type of resources needed for sealift. This period produced appropriations very near the DoD budget requests for strategic sealift.

The demise of the Soviet Union and Operation Desert Shield/Desert Storm produced another period of significant differences in terms of priorities for strategic sealift between the Defense Department and Congress. Congress initiated large budget increases to fund strategic sealift programs resulting from its dissatisfaction with the progress of the military in solving the sealift shortage.

2. Oversight Differences Within Congress

In addition to the differences between Congress and DoD regarding strategic sealift, there were other differences, both qualitative and quantitative, within the Congress itself in terms of treatment of the strategic sealift budget.

Neither the House nor the Senate could generate a consensus on strategic sealift issues, although there were short periods of understanding on specific programs and funding priorities. The Senate provided more support for sealift programs than the House, providing slightly larger and more frequent budget increases. Neither chamber demonstrated a pattern of influencing sealift policy using the other

legislative instruments available to them.

The authorization and appropriations committees found greater harmony. In keeping with their customary role within the budget process, the authorization committees provided significant policy guidance. The authorization committees produced frequent and important study requirements, report language and policy direction for strategic sealift. It was the authorizers that produced the study requirements that led to the CMMS and the MRS. These two studies completed by the Defense Department shaped strategic sealift policy in the 1980's and continue to influence policy in the 1990's.

The appropriators also produced some policy guidance. However, these committees broke with congressional tradition by consistently approving budgets for sealift in excess of the levels set by the authorizing committees. Their efforts on behalf of the military's sealift capability were motivated in part by parochial interests.

3. Viewpoints, Interests and Influential Factors

This analysis showed that Congress and the Defense Department view the issues surrounding the strategic sealift budget differently. These differences are rooted in institutional perspectives, i.e., the interests characteristic of the legislative and executive branches of the government. Congress urged a quick solution which also provided relief to the domestic shipbuilding industry. The executive branch--in

this case the Navy--took a narrower and more cautious approach. The Navy viewed strategic sealift as one of many aspects of the Navy mission, and certainly not the most important one. It resisted the idea that limited Navy resources should be used to support an activity that was peripheral to the Navy mission, unless and until it could be demonstrated that this activity warranted a higher priority.

Congress is tasked with maintaining a strong national defense, including sufficient strategic sealift capability to preserve national interests. But Congress is a political body, requiring representatives to pursue the best interests of their constituents as well. In the area of strategic sealift, these interests are primarily represented by the domestic shipbuilding industry. The evidence suggests that parochial interests influenced the actions of Congress, but they did not dominate them.

The Department of Defense is tasked with defending the sovereignty and interests of the United States. This must be accomplished using the resources allocated to them by Congress. The Navy, assigned to provide the strategic sealift capability for the military, must consider a variety of factors that influence the priority and amount of financial assets devoted to sealift.

The Navy's historical preference towards warships, along with its emphasis on controlling the seas and projecting naval power, minimized the attention directed to sealift

concerns. Because the Navy was the provider but not the user of sealift, it questioned the Army's requirements for sealift assets. Also affecting the Navy's perception is the availability of commercial charter vessels. Reservations of this kind encouraged the Navy to avoid committing new resources to strategic sealift prior to the completion of studies which would validate such an investment.

B. SUGGESTIONS FOR FURTHER STUDY

While the contracts awarded in 1994 for the acquisition of strategic sealift ships have provided a boost to the struggling domestic shipbuilders, the long term future of the merchant marine industry is still uncertain. Both the number of domestic shipyards and the size of the U.S.-flagged merchant fleet are rapidly declining. The loss of these vital assets could have disastrous consequences for the security of the nation.

Two recent initiatives aspire to solve these problems. Congress passed the Defense Maritime Logistical Readiness program as part of the FY 1993 Defense Authorization Act to address the declining numbers of shipyards.[Ref. 42] More recently, Transportation Secretary Federico Pena proposed a plan to save the U.S. merchant fleet.[Ref. 43]

The Defense Maritime Logistical Readiness plan was formulated to revitalize the U.S. shipbuilding industry. The initiative instructs the President to establish an interagency

working group to develop and implement a comprehensive approach to preserve the shipyard industrial base in this country. The group will consist of representatives from many agencies, including the Departments of Defense, Labor, State, Commerce, and Transportation, along with members from the Maritime Administration and the Office of the U.S. Trade Representative. The group is required to submit a series of reports to Congress providing recommendations to bolster the domestic shipbuilding industry.

Secretary Pena's plan to preserve the U.S.-flagged merchant fleet was released on 10 March 1994. The initiative proposes to replace current operating subsidies that expire in 1998 with new subsidies containing more stringent requirements for participating U.S. companies. This ten year plan would cost \$1 billion dollars and be paid for through increased taxes on ships entering U.S. ports. The plan would offer the operating subsidies to help U.S. firms make up the cost differentials that exist when operating with American crews and U.S. Coast Guard safety requirements.

These initiatives should be evaluated as to their effectiveness on the merchant marine industries and on U.S. strategic sealift.

CONGRESS AND THE SEALIFT BUDGET

FY 1981-1985

(Dollars in Thousands)

FUNDING CATEGORY	DOD REQUEST	HOUSE AUTH.	SENATE AUTH.	AUTH. CONFER.	HOUSE APPN.	SENATE APPN.	APPN. CONF.
=====							
FY 1981							
SCN TAKX SHIP	207000	207000	207000	0	0	207000	
SCN SL-7	0	0	285000	285000	285000	285000	31
TOTAL	207000	207000	492000	285000	285000	492000	31
FY 1982							
O&MN MPS EQUIP	8000	0	0	0	0	0	
SCN T-AKX MPS	195000	195000	195000	0	0	0	
SCN T-AKS RO/RO	197000	197000	197000	197000	0	0	
SCN T-AKX FAST LOG	668400	465100	668400	184000	184000	323000	30
SCN T-AH HOSPITAL	10000	10000	0	0	0	0	
SCN T-AKX CONV/CHAR	60000	0	0	0	0	60000	
RDT&E SPEC EFF SHIP	0	46000	0	5000	0	5000	
RDT&E T-AH STUDY	0	0	1000	0	0	0	
TOTAL	1138400	913100	1061400	386000	184000	388000	30
FY 1983							
SCN T-AH HOSPITAL	300000	300000	300000	300000	300000	300000	30
SCN T-AKRX CONV	322600	322600	322600	322600	44000	44000	4
SCN T-AKX CONV/CHAR	40000	0	0	0	0	0	
TOTAL	662600	622600	622600	622600	344000	344000	34
FY 1984							
O&MN SEALIFT PREPOS.	287800	272800	287800	287800	286200	286200	28
O&MN SEALFT SUP EQUI	32400	32400	32400	32400	32400	32400	3
SCN T-AKR CONV	246500	246500	246500	246500	219000	236400	23
SCN T-AH HOSPITAL	260000	260000	260000	260000	210000	224000	22
SCN STRAT SEALFT RRF	31000	31000	31000	31000	31000	31000	3
OPN AMPHIB EQUIP	50100	25000	35000	35000	35000	35000	3
RDT&E MERCH COMMIS	0	700	0	0	0	0	
TOTAL	907800	868400	892700	892700	813600	845000	83
FY 1985							
O&MN SEALIFT/RRF OPS	59131	59131	66831	66831	66831	66831	6
O&MN RRF DISPERSAL	0	0	0	0	5000	0	5
O&MMC PREPOS EQPT	0	0	0	0	27200	27200	2
SCN STRATEGIC SEALIFT	31000	31000	31000	31000	15000	31000	3
SCN T-ACS CONV	44000	44000	44000	44000	36000	36000	3
SCN T-AVB CONV	42800	42800	42800	42800	31800	26600	3
OPN SEALIFT SUP EQUI	24100	24100	24100	24100	24100	5600	2
TOTAL	201031	201031	208731	208731	205931	193231	22

Source: Office of the Assistant Secretary of Defense, Programs and Financial Control

CONGRESS AND THE SEALIFT BUDGET

FY 1986-1989

(Dollars in Thousands)

ENDING CATEGORY	DOD REQUEST	HOUSE AUTH.	SENATE AUTH.	AUTH. CONFER.	HOUSE APPN.	SENATE APPN.	APPN. CONFER.
=====							
FY 1986							
MN SEALIFT GROWTH	787300	771300	787300	771300	771300	787300	787300
MN RRF DISPERSAL	0	0	0	0	3600	0	3600
N STRATEGIC SEALIFT	203400	228400	203400	228400	228400	223400	228400
N T-ACS CONV	82500	82500	82500	82500	74000	74000	74000
N T-AVB CONV	26900	26900	26900	26900	26900	26900	26900
N SEALIFT SUP EQUIP	58972	73972	70972	70972	70972	58972	70972
TAL	1159072	1183072	1171072	1180072	1175172	1170572	1191172
FY 1987							
MN RRF DISPERSAL	31300	31300	31300	31300	30800	35155	35155
N T-ACS CONV	61100	61100	61100	61100	61100	61100	61100
N STRATEGIC SEALIFT	27800	27800	27800	27800	0	77800	77800
N SEALIFT ENHANCE	20700	20700	20700	20700	0	20700	0
N SEALIFT SUP EQUIP	58277	70277	58277	70277	70277	41577	70277
T&E MSNAP	6014	0	0	0	0	0	0
TAL	205191	211177	199177	211177	162177	236332	244332
FY 1988							
MN SEALIFT	549100	539100	549100	544100	549100	549100	549100
N RRF	43400	43400	43400	43400	43400	43400	43400
N T-ACS CONV	53100	53100	53100	53100	0	53100	53100
N SEALIFT ENHANCE	17800	17800	0	0	0	0	0
T FAST SEALFT INIA	0	0	10000	5000	0	0	0
N SEALIFT SUP EQUI	51791	51791	63791	63791	63791	51791	63791
N SEALT COMM EQUI	3754	3754	3754	3754	3000	3754	3000
TAL	718945	708945	723145	713145	659291	701145	712391
FY 1989							
N SEALIFT SUP EQUI	21779	33779	29779	29779	41779	21779	41779
N AMPHIB EQUIP	15437	30437	30437	30437	30437	30437	30437
TAL	37216	64216	60216	60216	72216	52216	72216

Source: Office of the Assistant Secretary of Defense, Programs and Financial Control

CONGRESS AND THE SEALIFT BUDGET

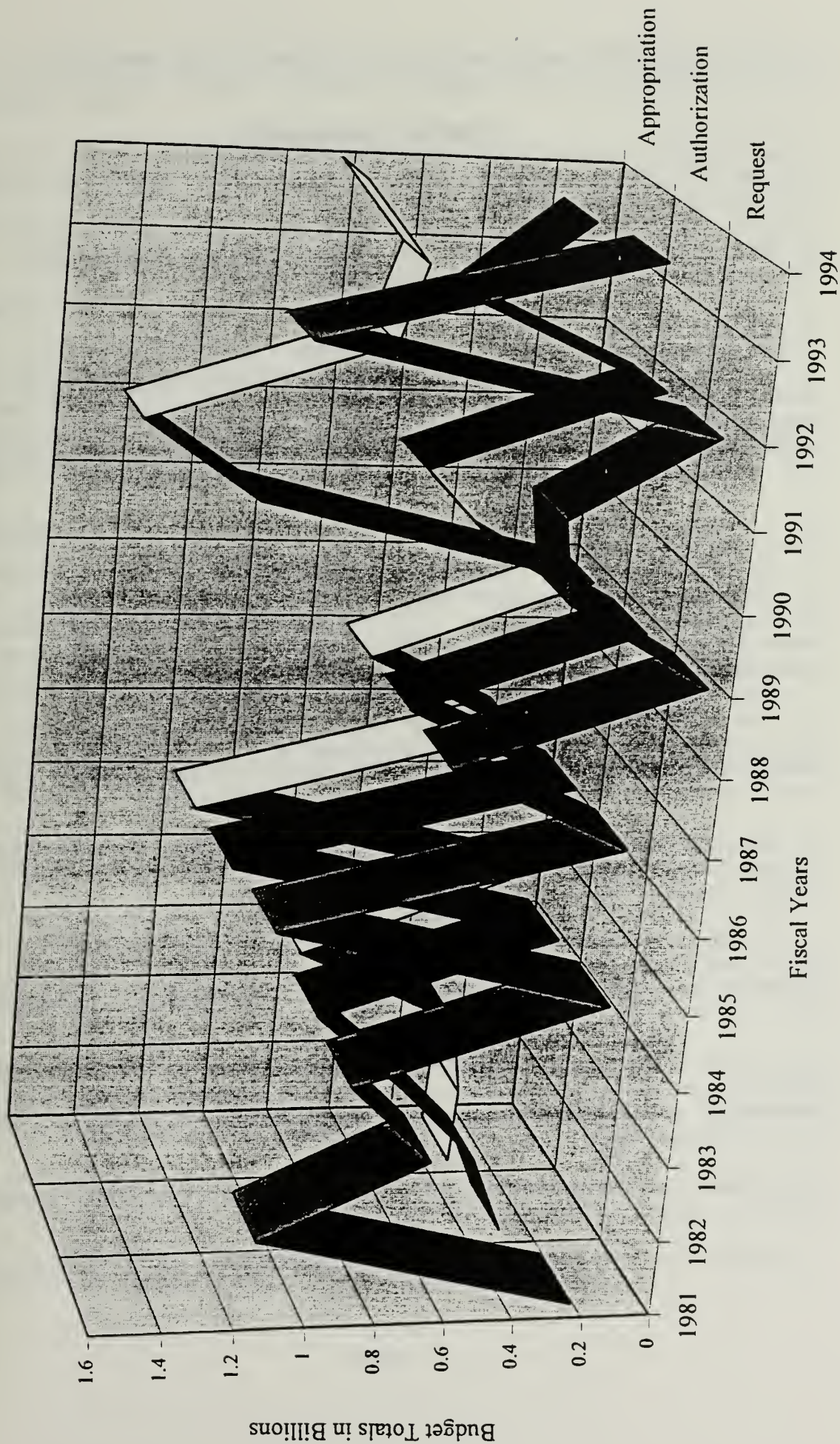
FY 1990-1994

(Dollars in Thousands)

FUNDING CATEGORY	DOD REQUEST	HOUSE AUTH.	SENATE AUTH.	AUTH. CONFER.	HOUSE APPN.	SENATE APPN.	APPN. CONF.
=====							
1990							
O&MN SEALIFT	432621	432621	432621	432621	432621	432621	432621
SCN FAST SEALIFT SHP	0	20000	20000	20000	1000000	1020000	600000
OPN AMPHIB EQUIP	5398	5398	21898	21898	21898	5398	21898
OPN SEALFT SUP EQUIP	10571	10571	10571	10571	10571	10571	10571
RDT&E FSS TECH DEV	0	0	30000	15000	0	15000	15000
TOTAL	448590	468590	515090	500090	1465090	1483590	1079090
FY 1991							
O&MN SEALIFT	461732	461732	461732	461732	500000	461732	500000
SCN STRAT SEALIFT	0	250000	0	250000	1500000	1000000	900000
SCN PREPOS/RRF	0	0	0	0	900000	0	0
OPN AMPHIB EQUIP	2207	2207	2207	2207	2207	2207	2207
OPN SEALFT SUP EQUIP	21944	21944	21944	21944	21944	21944	21944
RDT&E SEALFT TECH DE	0	0	30000	0	0	3402	3402
TOTAL	485883	735883	515883	735883	2924151	1489285	1427090
FY 1992							
O&MN RRF	0	0	0	0	30000	0	30000
SCN SEALIFT	0	0	1364100	0	1300000	0	600000
OPN AMPHIB EQUIP	86049	86049	86049	86049	92049	86049	92049
OPDEF PREPOS	0	0	0	0	995000	2000000	0
RDT&E MSNAP	1886	1886	1886	1886	1886	1886	1886
RDT&E FAST SEALFT TE	0	0	15000	0	0	0	0
RDT&E(DEF) MOBOFFBA	0	0	1000	1000	0	0	0
TOTAL	87935	87935	1468035	88935	2418935	2087935	726090
FY 1993							
SCN SEALIFT	0	1201400	225000	0	801400	0	0
NATL DEF SEALFT FUND	1201400	0	0	613200	0	1201400	613200
OPN AMPHIB EQUIP	1714	1714	1714	1714	23714	1714	23714
RDT&E(DEF) MOBOFFBA	0	0	0	0	7000	0	7000
RDT&E SEAL TECH PGM	0	0	13400	13400	0	13400	13400
TOTAL	1203114	1203114	240114	628314	832114	1216514	657090
FY 1994							
O&MN PREPOS/SURGE	0	0	0	0	507725	507725	507725
NATL DEF SEALFT FUND	290800	290800	0	290800	490800	0	290800
NATL DEF STRAT FUND	0	0	2669100	0	0	2669100	0
OPN AMPHIB EQUIP	2639	2639	2639	2639	2639	2639	2639
RDT&E(DEF) MOBOFFBA	0	0	0	0	24000	17000	17000
RDT&E(DEF) MAR TECH	0	132556	0	50000	190556	0	38000
TOTAL	293439	425995	2671739	343439	1215720	3196464	856090

Source: Office of the Assistant Secretary of Defense, Programs and Financial Control

Budgeting for STRATEGIC SEALIFT, FY 1981-1994



LIST OF REFERENCES

1. National Security Council, *National Security Sealift Policy*, p. 1, October 5, 1989.
2. Joints Chiefs of Staff, *National Military Strategy of the United States*, p. 11, January 1992.
3. Ibid. p. 11.
4. Johnson, GEN Hansford T., "Statement of Commander-in-Chief, U.S. Transportation Command before the Subcommittee on Merchant Marine, U.S. House of Representatives, in connection with Operation Desert Shield/Desert Storm Sealift Performance and Future Sealift Requirements", pp. 9-10, April 23, 1991.
5. O'Rourke, Ronald, "U.S. Strategic Sealift: Sustaining the Land Battle", *Sea Power*, p. 1, Vol 7 no. 3, 1986.
6. Garrett III, H. Lawrence, "Testimony before the Subcommittee on Defense, U.S. House of Representatives, in connection with the Department of Defense Appropriations for 1993-Part 1", Washington D.C., p. 279, March 11, 1992.
7. Hura, Myron, Matsumura, John, and Robinson, John, *An Assessment of Alternate Transports for Future Mobility Planning*, RAND National Defense Research Institute, R-4245-ACQ, Santa Monica, CA, pp. 3-16, 1993.
8. Shipbuilders Council of America, *Bringing Back America's Shipyards-A Major Step Toward Bringing Back America's Independence*, Washington D.C., p. 5, 1990.
9. Stocker, John J., "Statement for the Record of the President, Shipbuilders Council of America, before the Subcommittee on Merchant Marine, U.S. Senate", Washington D.C., p. 50, July 13, 1989.
10. Joint Department of Defense/Department of Transportation Ready Reserve Force Working Group, *The Ready Reserve Force: Enhancing a National Asset*, Logistics Management Institute, p. 1-7, October 1991.
11. Interview between Ronald O'Rourke, Congressional Research Service, and the author, 27 January 1994.

12. U.S Department of Transportation, Maritime Administration, *History of Ready Reserve Force Funding*, Washington D.C., 17 September 1993.
13. Office of the Assistant Secretary of Defense, Programs and Financial Control
14. Jenkins, William F., *National Defense Sealift Fund*, point paper for Strategic Sealift Division of OPNAV, 22 July 1993.
15. Ibid., p. 1.
16. U.S. Senate, *National Defense Authorization Act for Fiscal Year 1993*, Report 102-352, 31 July 1992, p. 37.
17. U. S. House of Representatives, *National Defense Authorization Act for Fiscal Year 1993*, Report 102-966, October 1, 1992, p. 752.
18. Ibid., p. 181.
19. Berner, Keith and Daggett, Stephen, *A Defense Budget Primer*, Congressional Research Service, Washington D.C., Report 93-317 F, March 9, 1993.
20. Schick, Allen; Keith, Robert and Davis, Edward, *Manual on the Federal Budget Process*, Congressional Research Service, Washington D.C., Report 91-902 GOV, December 24, 1991.
21. U.S. Senate, *Authorizing Appropriations for Fiscal Year 1981*, Report 96-826, p. 30.
22. U.S. Senate, *Department of Defense Appropriation Bill, 1990*, Report 101-132, p. 156.
23. Interview of 25 January 1994 with Creighton Green, staff member, Senate Armed Services Committee, Washington D.C.
24. U.S. Senate, *National Defense Authorization Act for Fiscal Year 1993*, Report 102-352, p. 105.
25. Ibid. p. 31.
26. U.S. House of Representatives, *Department of Defense Appropriation Bill, 1982*, Report 97-333, p. 217.
27. U.S. House of Representatives, *Department of Defense Appropriation Bill, 1984*, Report 98-427, p. 82.
28. U.S. House of Representatives, *Department of Defense Appropriation Bill, 1986*, Report 99-332, p. 103.

29. U.S. House of Representatives, *House Joint Resolution 465, Further Continuing Appropriations For Fiscal Year 1986*, Report 99-450, p. 276.
30. U.S. Senate, *National Defense Authorization Act For Fiscal Years 1988 And 1989*, Report 100-57, p. 11.
31. U.S. Senate, *National Defense Authorization Act For Fiscal Year 1989*, Report 100-326, p. 52.
32. U.S. House of Representatives, *Department of Defense Appropriations Bill, 1990*, Report 101-208, p. 5.
33. U.S. Senate, *Department of Defense Appropriations Bill, 1991*, Report 101-521, p. 114.
34. U.S. House of Representatives, *Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 1992, and for Other Purposes*, Report 102-328, p. 110.
35. Murtha, John P., *Hearings Before the Subcommittee on Defense, Committee on Appropriations, U.S. House of Representatives*, 5 March 1992, p. 698.
36. Interview with Larry Caviola, Chief of Staff, Under Secretary of Defense for Acquisition and Technology, 26 January 1994.
37. Inouye, Daniel K., *Statement before the Subcommittee on Merchant Marine, Committee on Commerce, Science and Transportation, U.S. Senate*, 13 July 1989, p. 2.
38. Stubbing, Richard A. and Mendel, Richard A., *The Defense Game*, Harpers & Row, Publishers, 1986.
39. Secretary of the Navy, letter dated 22 March 1989.
40. *Dalton Prepares To Make Critical Decisions On Sealift Programs*, Inside The Navy, 26 July 1993.
41. MacFarland, Margo, *Navy Decides To Go Ahead With Conversion Of Five Sealift Ships*, Inside The Navy, 30 July 1993.
42. U.S. House of Representatives, *National Defense Authorization Act for Fiscal Year 1993*, Report 102-966, pp. 181-183.
43. Phillips, Don, "10-Year, \$1 Billion Plan Offered by Pena to Save U.S. Merchant Fleet", *Washington Post*, p. 3, March 11, 1994.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center 2
Cameron Station
Alexandria, Virginia 22304-6145
2. Library, Code 52 2
Naval Postgraduate School
Monterey, California 93943-5002
3. Professor Richard B. Doyle, Code AS/DY 1
Naval Postgraduate School
Monterey, California 93943-5100
4. Professor Dan C. Boger, Code AS/BO 1
Naval Postgraduate School
Monterey, California 93943-5100
5. CAPT William Jenkins 1
Strategic Sealift Division (N42)
2000 Navy Pentagon
Washington, D.C. 20350-2000
6. Professor Peter Tarpgaard 1
NSDM Department, Code 1B1
686 Cushing Road
Naval War College
Newport, Rhode Island 02841
7. Ronald O'Rourke 1
Congressional Research Service
Foreign Affairs & National Defense Division
Madison Building, Room 315
10 First Street SE
Washington D.C. 20540
8. LT Mark J. Steinmetz 2
12734 Treeridge Ter
Poway, California 92064

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY CA 93943-5101



DUDLEY KNOX LIBRARY



3 2768 00310934 9